

1           IN THE UNITED STATES DISTRICT COURT  
2           FOR THE WESTERN DISTRICT OF PENNSYLVANIA

3  
4           UNITED STATES OF AMERICA

5                           Plaintiff

6                   vs.           Criminal Action No. 01-06ERIE

7           DANIEL J. LEVETO

8                           Defendant

9  
10           PROCEEDINGS

11           Transcript of Jury Trial commencing on Wednesday,  
12           June 1, 2005, United States District Court, Erie,  
            Pennsylvania, before Honorable Maurice B. Cohill, Jr.,  
12           District Judge.

13   APPEARANCES:

14   For the Government:       For the Department of Justice  
                              By: Rita Calvin, Esq.  
15                           By: Thomas Voracek, Esq.

16   For the Defendant:       Pro Se  
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Proceedings recorded by mechanical stenography. Transcript  
23 produced by computer-aided transcription.

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## 1 I N D E X

2 DEFENDANT WITNESSES DIRECT CROSS REDIRECT RECROSS

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## 1 PROCEEDINGS

2 (Court reconvened on Wednesday, June 1st, 2005, at 9:10 a.m.)

3 THE COURT: Good morning.

4 (The jury entered the courtroom.)

5 THE COURT: Good morning. Be seated, please.

6 Ladies and gentlemen, as you know, I think,

7 yesterday concluded the presentation of the government's

8 case, and now it becomes Dr. Leveto's turn to present any

9 evidence or testimony that he wishes to.

10 MR. LEVETO: I would like to call

11 Agent Robert Lapina to the stand, please.

12 THE COURT: Okay. Agent Lapina, you're already

13 under oath from having testified the other day. So, just

14 take the witness stand and identify yourself once again and

15 give us the spelling of your name.

16 THE WITNESS: Okay. My name is Robert A. Lapina.

17 L-a-p-i-n-a.

18 THE COURT: Thank you. And you previously

19 testified on behalf of the government in this case, is that

20 correct?

21 THE WITNESS: Correct.

22 \* \* \* \* \*

23 ROBERT A. LAPINA, having first been duly sworn,

24 testified as follows:

25 DIRECT EXAMINATION

Lapina - Direct

4

1 BY MR. LEVETO:

2 Q Good morning, Agent Lapina.

3 A Good morning.

4 Q Agent Lapina, was it you that authored the affidavit of

5 probable cause --

6 A For the execution of the search warrants at 316 Conneaut

7 Lake Road, at 388 Edgewood Drive, Meadville.

8 Q Yes. Can you tell us what -- can you define hearsay

9 evidence?

10 A Hearsay evidence. Somebody tells you something

11 essentially that you don't have a documentation or they

12 weren't a direct party to the transaction essentially is my

13 understanding.

14 Q Is it your understanding that normally that type of

15 evidence would be some of the strongest evidence or some of

16 the weakest evidence in your experience?

17 A I guess it could be both.

18 Q If you think back generally to the affidavit of probable

19 cause, that was a sworn statement by you, was it not?

20 A Yes.

21 Q And most of that sworn statement, would you agree that

22 when you had essentially testified on that or swore to that,

23 there was a lot of information on there from the undercover

24 agent and from the Kalustians and the CW-1's that they had

25 told you various things, is that correct?

Lapina - Direct

5

1 A There was information from the Kalustians that were --  
2 was in the affidavit and it was subsequently, I believe, a  
3 lot of that information was corroborated through the  
4 undercover operation.

5 Q Okay. The undercover operation consisted primarily of  
6 tape-recordings, is that correct?

7 A Well, I mean, it involved meetings between yourself and  
8 the undercover agent that were tape-recorded.

9 Q Right. But, the -- what you developed in hearsay  
10 evidence, could it be safe to assume that you got that pretty  
11 much from the tape-recordings and the transcript?

12 MS. CALVIN: Objection to characterizing this as  
13 hearsay. These are statements of the defendant.

14 THE COURT: Yes. What goes on between two persons  
15 in a conversation is not hearsay unless it's repeated by  
16 someone else who wasn't there.

17 BY MR. LEVETO:

18 Q Agent Lapina, could you tell me that if generally a  
19 person would be confessing to someone, or versus someone

20 talking about their activities, versus someone just saying

21 that someone heard them say that, what would be the strongest

22 evidence to you, in other words, a tape-recording of a

23 confession or that someone told you that someone said

24 something?

25 A Well, no. A direct conversation would be to me the

Lapina - Direct

6

1 strongest evidence, rather than someone coming back to me and

2 repeating what they had heard.

3 Q Could you tell me, Agent Lapina, why on the affidavit of

4 probable cause, there was no reference at all to the tapes

5 that were made of me?

6 I mean, wouldn't it be kind of commonsensical to

7 say, well, there are multiple layers and we've established

8 that hearsay is certainly okay on the affidavit of probable

9 cause, but when someone was telling someone else, and then

10 someone else told you something, could you tell me why that

11 you would choose not to use the tape-recordings on the

12 affidavit of probable cause or any reference to them

13 whatsoever?

14 A Well, I mean, I believe in this affidavit, there are

15 several summaries of conversations that took place between  
16 yourself and the undercover agent. And I took excerpts of  
17 those tapes, taped conversations and put them in here.

18 I don't know what you are referring to. I mean,  
19 did you want me to -- are you talking about attaching all the  
20 tapes to the affidavit?

21 Q No, I am not saying that. I am saying that we had  
22 personally convicted felons that were providing the hearsay,  
23 we had an undercover agent --

24 MS. CALVIN: Objection to this characterization as  
25 hearsay, Your Honor.

Lapina - Direct

7

1 THE COURT: Well, first of all, a Judge or a  
2 Federal Magistrate would have had to approve the -- I am  
3 telling the jury this -- that a -- some sort of judicial  
4 authority, either a Judge or a Magistrate Judge, has to  
5 review an affidavit of probable cause for a search warrant,  
6 and then approve of it before the warrant can be executed.

7 BY MR. LEVETO:

8 Q Was there anywhere within the affidavit that the tapes



9 were referred to, or was any knowledge given to the

10 Magistrate that they existed?

11 A Well, in No. 14, you know, it says in there that we had

12 an approved undercover operation. And the following is a

13 chronological listing of the applicable information obtained

14 and developed during the course of the undercover operation.

15 Q But, there was no reference to any primary taped

16 matter --

17 A Well, specifically, Dr. Leveto, it's my experience that

18 you don't send an undercover agent into a situation unless

19 you have him wired.

20 So, to me, that was assumed that we got this

21 information from tape-recordings.

22 Q It was assumed? Okay.

23 Okay, Mr. Lapina, if I could take you back to the

24 interrogation and our interview that we had on May 2nd, 1996.

25 A Okay.

Lapina - Direct

8

1 Q Do you have that with you?

2 A Yeah.

3 Q Could you define for the Court what custodial and

4 non-custodial interrogation is?

5 A A -- well, custodial would be a situation where someone  
6 is interrogated, they are not free to leave.

7 Non-custodial would be essentially a situation  
8 where they would be free to leave.

9 Q And on that day at the practice on May 2nd, 1996, what  
10 type of interrogation was that?

11 A Non-custodial.

12 Q Agent Lapina, would you define non-custodial on that day  
13 as sixteen agents coming in with jackets and weapons, and if  
14 I was -- was I allowed to answer the telephone that day, that  
15 morning?

16 A Well, if I may, I can go into the events of that  
17 morning.

18 Q No. I really would just like to have my questions  
19 answered.

20 A Well, you were free to leave. I told you that you could  
21 come -- or you were free to leave, but you could not come  
22 back. Okay? And you chose to stay. All right. That is the  
23 first part of that.

24 Now, the second part of it was, you know, you had

25 children at your residence and I had given you an option as

Lapina - Direct

9

1 to whether or not you wanted me to execute that search  
2 warrant up at the residence or would you like for me to wait  
3 until they left to go to school. And you said you chose for  
4 me to wait until they went to school. Okay.

5 In the meantime, to prevent destruction of evidence  
6 if you chose to stay and you wanted me to wait, you would not  
7 be allowed to telephone, use the telephone because I was  
8 afraid about the possibility of destruction of evidence at  
9 the residence.

10 Q Agent Lapina, when you and your officers came in, are  
11 you saying that I was free to leave at that time?

12 A You were free to leave. Like I said, if you left at  
13 that time, you would not be permitted to return and re-enter  
14 the business and I would execute the other warrant at the  
15 residence. That's how I recall the whole situation.

16 Q So, in your recollection of that, my not being allowed  
17 to speak to emergencies, or would it be considered if I had  
18 to be accompanied to the restroom and if I was held  
19 incommunicado in an office? Is that your position of saying

20 that I was free to leave?

21 A You were free to leave. But, if you chose to stay,  
22 again, I would not have you roaming around the veterinarian  
23 business.

24 Again, there are surgical instruments and different  
25 things there, you know, and I have to be concerned for the

Lapina - Direct

10

1 safety of our people there. Okay. So, we had to keep an eye  
2 on you. But, you were free to leave.

3 Q Agent Lapina, is it against the law to wire funds?

4 A I'm sorry?

5 Q Is it against the law to wire funds?

6 THE COURT: To wire what?

7 MR. LEVETO: To wire money, to wire funds.

8 A Oh, to wire transfer money? No.

9 Q You testified to some of the foreign accounts that have  
10 been in question here.

11 Is it true that authority over foreign accounts can  
12 be ownership, investment, permissive or any type of  
13 authority?

14 Are they always the same or are there different  
15 types of connections to foreign accounts?  
16 A Could you repeat the question?  
17 Q Okay. When we speak of foreign accounts, the foreign  
18 accounts that you examined, were there any, other than the  
19 TSB -- well, rephrase it another way -- that there was any  
20 ownership shown to me or, you know, any signatory ownership  
21 shown to me?  
22 A No. However, I believe that control was exhibited.  
23 Q But, as far as the paperwork went, you weren't -- you  
24 are not saying that there were signatory controls, and things  
25 like that?

Lapina - Direct

11

1 I understand your theory and the government's  
2 theory.  
3 A Right. I guess you are talking specifically about  
4 Leonard Adler and Box Elder. Those are the two accounts I  
5 recall.  
6 I mean, they were not in your name, if that's what  
7 you are saying.  
8 Q Could you tell me if borrowed money is taxable or

9 reportable generally?

10 A Not if it's a legitimate transaction.

11 Q And from your experience and your investigation, was

12 there anything unlawful that you found about the domestic

13 colato Wayne Co.?

14 A I don't recall specifically.

15 Q Are you aware of anything unlawful about having a

16 domestic trust to open up a Post Office box?

17 A I can't comment either way on that.

18 Q And if a domestic trust or another entity were going to

19 perhaps open up a checking account or thought about going

20 into business, would it be kind of normal procedure to submit

21 an SS-4 to the government for an employee I.D. number?

22 A If a trust was legitimately established, it probably

23 would be, you know, standard practice to get an EIN number.

24 Q Let me go back to the affidavit of general manager's

25 powers. I believe it's Government Exhibit No. 89. You have

Lapina - Direct

12

1 seen that document, is that correct?

2 A Yeah. I believe it may have been one of the exhibits

3 that was read into evidence by myself last week.

4 Q Were you aware of anything unlawful about a general  
5 manager having wide powers?

6 A Not if it's a legitimate transaction.

7 Q Well, there really isn't a transaction. I mean, it's  
8 just your perception of wide powers for a general manager. I  
9 mean, is that a reasonable --

10 A No. General manager has certain duties and powers.

11 Q You had testified previously that you had examined the  
12 lien that was placed on our home at 388 Edgewood Drive.

13 Do people normally borrow money against their home  
14 or lien their home? Is that an unusual thing, say, a second  
15 mortgage, or something like that?

16 A No, it is not unusual.

17 Q And when that's done, is that typically to frustrate  
18 collection efforts by the Internal Revenue Service?

19 A Well, depends on who put the lien on there. Sometimes  
20 those are done for purposes other than what it really  
21 appears.

22 Q Okay. During the time in question of this lien, did I  
23 have any jeopardy assessment or any collection efforts, or  
24 anything like that, going on with the Internal Revenue

25 Service?

Lapina - Cross(By Ms. Calvin) 13

1 A Not at that time.

2 Q So, would you characterize it, that it's kind of  
3 difficult to frustrate something that's not even occurring if  
4 we are talking about the purpose of a lien?

5 A Well, there certainly was the potential for that to  
6 happen in this case.

7 Q The potential is what leads to the theory or the  
8 conclusion that it was fraudulent?

9 A Well, I mean, I've seen a number of cases where there  
10 are no assessments, or jeopardy assessments currently, and  
11 people do take steps to prevent these actions when they do  
12 occur.

13 Q Would you say that people sometimes take steps to do it  
14 even to help make themselves judgment proof or really just  
15 for their own protection and do that? I mean, is that  
16 another thing that, you know, is generally seen?

17 A I'm sure there is legitimate reasons for having loans  
18 and liens placed on assets. I'm not saying that there isn't.



19 MR. LEVETO: That is all I have, Your Honor.

20 THE COURT: Does the government have any questions?

21 MS. CALVIN: Yes, just a few.

22 CROSS-EXAMINATION

23 BY MS. CALVIN:

24 Q Agent Lapina, you were asked about the tape-recordings

25 between the undercover agent and the defendant, and that the

Lapina - Cross(By Ms. Calvin) 14

1 defendant was recorded, is that correct?

2 A Yes.

3 Q Now, at the time of the recordings, were you listening

4 in at the time that the recordings were being made?

5 A Well, sometimes the undercover agent will wear a

6 transmitter, you know, so that the surveillance team can

7 protect the undercover agent in case a situation occurs where

8 the undercover agent is possibly accosted or gets physically

9 assaulted.

10 So, there were times that I was able to listen in

11 concurrently as the conversations occurred, but there were

12 times that the transmitter also did not work.

13 Q And since there was a lot of talk about the search

14 warrants and the affidavit, it was presented to a Judge, was

15 it not?

16 A Magistrate Baxter.

17 Q And she authorized the search?

18 A Yes, she did.

19 Q You were asked also about the circumstances under which

20 the warrant was executed.

21 Had you driven a drive-by by the office to know

22 what time Dr. Leveto would arrive at work?

23 A On numerous times. So, I had a good idea what time he

24 would arrive.

25 Q And did you time your arrival so that it would be the

Lapina - Cross(By Ms. Calvin) 15

1 least disruptive time to the business?

2 A Well, we arrived at six o'clock in the morning and he

3 arrived, I believe, at twenty after six, and it was done that

4 way so that we would not come in in the middle of the day and

5 disrupt the business and have exposure to patients, and

6 everything else like that.

7 Q And had you also done a drive-by by the home?

8 A On a number of occasions, yes.

9 Q And so you were aware of what time the children left for  
10 school?

11 A Yes, I was.

12 Q And that was later than this period that Dr. Leveto  
13 would be in his office?

14 A Yeah. I believe that it was typically after seven a.m.  
15 that the children would go to school.

16 Q And so you timed your search at the home to be the least  
17 disruptive as it could of the home, is that correct?

18 A Correct.

19 Q You were also asked about borrowed money and that not  
20 being taxable.

21 For a loan to be legitimate, is there an  
22 expectation that it would be paid back?

23 A Of course.

24 Q Did you have any information that that was occurring  
25 here?

Lapina - Redirect

16

1 A Well, my evidence indicated that the sale -- this

2 alleged sale of the business, business assets, was not an

3 arm's length transaction. And basically I had no reason to  
4 believe that any loans associated in this case with  
5 individuals involved were legitimate transactions either.

6 MS. CALVIN: I have no further questions, Your  
7 Honor.

8 REDIRECT EXAMINATION

9 BY MR. LEVETO:

10 Q Agent Lapina, if we could travel back into the affidavit  
11 of probable cause again. Do you have that with you?

12 A Yes.

13 Q I would like to take your attention to No. 17, or  
14 page seventeen first.

15 A Okay.

16 Q Well, look at page seventeen, the last paragraph.

17 A Under November 1st, 1995?

18 Q Yes.

19 A Yes.

20 Q That last paragraph, could you read that, please?

21 A Leveto explained to the UCA that if something were to  
22 happen to him, he has instructions, located in a fireproof  
23 safe, as to how this whole process can be unwound. Leveto --

24 Q That's fine.

25 A Is that good?

Lapina - Redirect

17

1 Q Yes. That's a pretty damning statement, wouldn't you

2 say that, Agent Lapina?

3 A Well, it's a statement that was gleaned from the

4 undercover operation. That's all I can tell you.

5 Q Okay. I have with me government exhibits -- some

6 excerpts out of Government Exhibit 64-B, which is a

7 transcript actually. It was of that November 1st meeting.

8 And I would just like to bring to your attention a

9 few things. I can't get it to you, but I am going to -- I

10 can ask you to examine it for authenticity if, you would like

11 to see it. I'm going to go through just a few things about

12 it. Would you like to see it?

13 A I don't have it in front of me. I mean, if you are

14 going to refer to it.

15 Q I'm sorry. I forgot about the great Hollywood visual

16 aids here, and I do not know how to operate it so I may need

17 a little help here.

18 MR. VORACEK: You hit the green button.

19 Q Okay. This is part of Government Exhibit 64-B. This is  
20 page one. And these are the transcripts, or this is just the  
21 first page of that transcript. I think you will recognize it  
22 as being the transcripts actually on November 1st.

23 Now, I want to take your attention to -- and what I  
24 am going to give you here is an example of what took place,  
25 and I would like you to interpret it for me, if you would,

Lapina - Redirect

18

1 because I think that interpreting the transcripts was a great  
2 part of your job in putting this together.

3 Starting at line twenty-one, let me see if I can  
4 zoom that in a little bit. Starting at line twenty-one,  
5 Agent Gonzalez was asking me and talking with me, and he had  
6 said:

7 You know, I know you explained to me the protection  
8 is that you have a letter in there.

9 I said that -- you know, I mean, is there any other  
10 method that could be used? I mean, is that -- you know, did  
11 you use that?

12 And I told him at that time:

13 Well, you really don't have a letter. Not with a  
14 foreigner. No, you -- you really don't have -- you have --  
15 with a foreigner it's pretty much totally on faith.  
16 Now, we will move down the page because Agent  
17 Gonzalez does not give up easily. Down, we move, to  
18 fourteen.

19 And as the conversation went on here, I made it  
20 very clear again.

21 I told you before that you make up colatos -- we  
22 were talking about domestic colatos -- and you have people  
23 controlling them, you have letters from them of resignation.

24 And continue down.

25 Agent Gonzalez: Yeah. That's what I'm saying.

Lapina - Redirect

19

1 And I said: Okay. Now --

2 Agent Gonzalez: Right.

3 And then I said:

4 -- it has nothing to do with working for a  
5 foreigner.

6 So, it was pretty clear there that, the main thrust  
7 of that conversation. But, as I said, the transcript shows

8 that Agent Gonzalez was not to give up.

9 So, we move further on to page twenty-one, and I

10 believe that here on page twenty-one, it shows:

11 Agent Gonzalez: You said something that -- that a

12 letter of resignation would suffice in that it would protect

13 me against the colato coming back and trying to pull the plug

14 on me and say -- you know. And that --

15 And at that particular time, I said:

16 That's the domestic colatos. And there's a lot of

17 usage for domestic colatos. That's not for -- that's not for

18 using it to the nth degree dealing in a foreign entity.

19 Agent Lapina, would it be your understanding, or

20 would you look at that and say, if you look at the affidavit

21 of probable cause, does the affidavit of probable cause

22 really reflect what that conversation was about?

23 In other words, it's clear in the affidavit of

24 probable cause, wouldn't you agree, that we are talking about

25 the business, we are talking about the foreigners?

Lapina - Redirect

20

1 A Well, again, the statement that I had in there was



2 gleaned from me going through the undercover tapes. Okay?

3 Did I put every single one of these statements that

4 you just referenced in there? No, I did not.

5 Q Well, we would not expect that.

6 But, I am saying, the gist of this conversation,

7 would you interpret this conversation -- because this

8 conversation took place many times through the transcripts --

9 but, would you interpret this conversation as being very

10 clearly nothing to do with a foreigner, as on page

11 twenty-one, as I just pointed that out to you, because in the

12 affidavit of probable cause, this is a very, very damning

13 statement and perhaps we can bring out why the tapes weren't

14 referred to, but wouldn't you say that it's pretty clear in

15 the transcript?

16 A Well, again, there is a lot of dialogue there about

17 domestic colatos. But, what I have in here is what I had

18 gleaned from some portion of that tape. That's all I can

19 tell you.

20 Q Okay. Agent Lapina, could we turn to page -- let me see

21 which page it is. Page twenty-six.

22 A Twenty-six of the affidavit?

23 Q Yes. Twenty-six of the affidavit.

24 And would you read really the first -- where it  
25 starts with my name, Leveto, would you read that, the rest of

Lapina - Redirect 21

1 that sentence?

2 A I'm sorry? Can you repeat that?

3 Q Right at the top where you see my name, Leveto, page  
4 twenty-six. Maybe I told you the wrong page.

5 A Leveto has made admissions to both CW-1 and the UCA  
6 reflecting the -- and the UCA reflecting the fact that he is  
7 involved in nothing more than a charade or sham.

8 THE COURT: Will you tell us what "UCA" means?

9 THE WITNESS: Undercover agent. I am sorry. That  
10 is an abbreviation.

11 BY MR. LEVETO:

12 Q Agent Lapina, wouldn't you say that that is a smoking  
13 gun?

14 A I believe that statement is representative of what we  
15 have here. The investigation statements --

16 Q Agent Lapina, excuse me. We are only talking about now  
17 the affidavit of probable cause.

18 A Well, that's I mean. You can look at that however you

19 want, you know, that that was my belief. I mean, you can

20 interpret it to be a smoking gun, however you want it to be.

21 Q I guess what I am asking you, Agent Lapina, with the

22 recordings made and that statement being made and, of course,

23 wouldn't you even find that a little bit strange if there was

24 no agenda, wouldn't you find that strange to sell someone a

25 book for a large amount of money and tell them then that it's

Lapina - Redirect

22

1 nothing more than a charade or a sham?

2 Would that be logical to you? Would that be

3 reasonable?

4 A Well, I am not really talking about here about the sale

5 of a book to someone else. I am talking about your

6 situation.

7 Q What I am saying is, Agent Lapina, I am speaking to the

8 undercover agent who bought the book.

9 A Okay.

10 Q I don't know he's an undercover agent, is that correct?

11 A You may or may not have at that point in time.

12 Q You kind of -- well, some of the discussions could be

13 frustrating, and you might allege that, but the thing is, I  
14 am talking really to a customer that bought the book, is that  
15 correct?

16 A You are talking to an individual who had purchased the  
17 book.

18 Q Correct.

19 MS. CALVIN: Your Honor, we object to this line of  
20 questioning. He is trying to re-litigate the search warrant,  
21 and this issue has already been decided.

22 THE COURT: The search warrant has been upheld. I  
23 will tell the jury that.

24 MR. LEVETO: This goes to credibility, Your Honor.

25 THE COURT: Go ahead. Go ahead.

Lapina - Redirect

23

1 MR. LEVETO: Okay.

2 BY MR. LEVETO:

3 Q I would like to take you back to the transcript, and  
4 this is on the same -- it's in the same transcript of this  
5 particular meeting right here. That within the transcript, a  
6 scanning of that transcript does reveal a conversation that

7 uses some kind of strong language that we will go over. It's

8 page eighteen on that transcript.

9 And from line twelve to line sixteen, I am

10 speaking, and it says:

11 He doesn't even have the foggiest idea what I'm

12 doing. But it's legal the way it's being done. He doesn't

13 have the foggiest idea. And if I did not truly give up what

14 I tell you is necessary to give up, it's all a sham, it's all

15 illegal and it's -- then the conversation was kind of cut

16 off.

17 Agent Lapina, if you interpreted that, if you put

18 that together as the agent on this case, would it be natural

19 for you to transpose that information into what is at the top

20 of page twenty-six, an admission to me that I was involved in

21 a sham?

22 A I believe that to be a self-serving statement. You have

23 somebody you are trying to sell a book to possibly get

24 involved in the purchase of these programs. Are you going to

25 tell them it's illegal?

Lapina - Redirect

24

1 Q Agent Lapina, I am saying that this is a sworn document

2 this affidavit, and you swore that I made the admission to  
3 both CW-1 and the UCA reflecting the fact that he was  
4 involved in nothing more than a charade and a sham.

5 A There are a number of representations throughout the  
6 course of that affidavit which is indicative that this was  
7 not an arm's length transaction. You are focusing on one  
8 particular conversation.

9 Q I am just focusing on --

10 THE COURT: Just ask a question.

11 Q Okay. Will you not call this one of the most serious  
12 things to be alleging within the affidavit for me that I said  
13 that?

14 A Again, you know, there were a number of representations,  
15 when you look at them in their sum, okay, that essentially  
16 indicate that this was nothing more than a charade or a sham.

17 Q Agent Lapina, I'm just asking you a simple question.  
18 This alleges that I made an admission.

19 Would you call that statement right there an  
20 admission of that?

21 A No. I'd call that a self-serving statement.

22 Q Did you have an agenda to prosecute me in this case?

23 A No, I did not. But, again, I am trying to say that

24 there are other statements that you made during the course of

25 the undercover operation that, you know, I am not being

Lapina - Redirect

25

1 permitted to focus on here.

2 Q But, Agent Lapina, that is not the issue here. I guess

3 I am -- I don't want to argue with you about it. Wouldn't it

4 be safe to say that we are not going to litigate or discuss

5 all of the affidavit of probable cause?

6 I'm just worried somewhat about your memory. So,

7 has your memory been functioning well?

8 A Yes.

9 Q Okay. So, we talked about the Special Agent's report

10 and my interview that day that took place on May 2nd.

11 A Correct.

12 Q Now, isn't it true on that day, the day that you made

13 some notes and you talked with me, you waited two to three

14 weeks to even write the report?

15 A As I had indicated before, the memo does indicate that I

16 had prepared it, I believe, starting on May 16th. But, you

17 know, there were a number of things that prevented me from

18 writing that the day after or even a couple days after.

19 Q I understand that, Agent Lapina.

20 Could it be said, though, that if you have a

21 transcript right in front of you and you are writing an

22 affidavit, that's a very short period of time, but could it

23 be said that your report, waiting two to three weeks to write

24 that from an interview with me could even allow more room for

25 perhaps self-serving statements on your part?

26

1 A The interview, what I have in there, is as I recall from

2 that day that we discussed several issues.

3 Q Best of your recollection?

4 A Correct.

5 MR. LEVETO: That is all I have, Your Honor.

6 MS. CALVIN: Nothing further.

7 THE COURT: Thank you, agent.

8 (The witness was excused.)

9 THE COURT: Are you going to testify now?

10 MR. LEVETO: Yes. I need a couple of minutes, Your

11 Honor.



12 MR. VORACEK: Your Honor, is Agent Lapina released

13 then? May he leave?

14 THE COURT: Sure.

15 MR. VORACEK: Thank you.

16 THE COURT: Unless you would think you want him for  
17 rebuttal, or something?

18 MR. VORACEK: No, sir.

19 THE COURT: Stand here and be sworn, please.

20 THE CLERK: Raise your right hand.

21 \* \* \* \* \*

22 DANIEL J. LEVETO, having first been duly sworn,  
23 testified as follows:

24 THE COURT: Have a seat, please, and identify  
25 yourself for the record.

27

1 THE WITNESS: My name is Daniel J., James, Leveto.

2 THE COURT: Okay. You can proceed.

3 MR. LEVETO: Let me just work with my documents a  
4 second here. Today with my testimony, I will be really the  
5 only one in position at this time to bring some clarity to  
6 this for as a -- as a witness for the defense, and I believe

7 that it's important that I do bring some clarity to this  
8 because there have been a lot of facts and figures, and it's  
9 been -- there have been a lot of things entered into the  
10 record that need to be put into proper context.

11 But, I am going to basically speak with you today  
12 and go over a number of issues so I can perhaps allow you to  
13 understand better the whole picture.

14 The first thing I would like to do is talk a little  
15 bit -- and I just alluded to it a little bit yesterday in the  
16 opening -- about my leaving the jurisdiction. And I believe  
17 that from the outside or from a bystander, that's not  
18 particularly a good thing to see someone do, but I think that  
19 I need to explain a little bit the situation that governed  
20 some of my behaviors and some of my actions, because in my  
21 lifetime, I've certainly never shirked from any  
22 responsibilities or not shown up for any types of judicial  
23 proceedings, or anything like.

24 So, it was not common policy for my behavior.  
25 There were protective factors that I had to consider, and two

1 factors, two major factors come into play.

2 The first factor, as I touched on yesterday, was  
3 the pretty nasty litigation that I was involved with with  
4 numerous agents of the Internal Revenue Service. This suit  
5 was heard by this Court, ultimately ended up in the Third  
6 Circuit Court of Appeals.

7 The findings are of really no value at this  
8 particular time, but I think the key things about it was,  
9 when the case went to the Third Circuit, it was put into  
10 arbitration.

11 And basically an arbitration is when the Court  
12 would like parties to come to some kind of settlement, if  
13 possible, to where the litigation could end there and not be  
14 further necessary.

15 So, it was basically a civil suit against the  
16 agents alleging constitutional and statutory violations that  
17 I was seeking damages on. Although moreso at that time, I  
18 was seeking justice.

19 At that time, I had an attorney representing me  
20 that was there for arbitration and as we talked to people  
21 directly through the Third Circuit and the Department of  
22 Justice, I was told at that time that if I were to drop my

23 lawsuit, the Department of Justice would stop the pain. And  
24 that stop the pain at that time was certainly assumed by my  
25 attorney and myself and my researcher to mean that the

29

1 investigation, or whatever was going on behind the scenes  
2 criminally, would stop.

3 I would not at that time, though, and I made it  
4 very clear, abandon the opportunity to perhaps stopping what  
5 happened to me to the next generations or other people, my  
6 children or their children. And I declined at that time and  
7 pretty much knew that I certainly made an enemy.

8 Now, this was taking place in the beginning of 1998  
9 into 2001. And I have to relate that now, those facts that I  
10 have just told you, I have to relate that to a divorce. And,  
11 again, if it weren't for the pertinence of this and it  
12 weren't for the evidence coming in about me leaving the  
13 jurisdiction, I wouldn't need to go through this. But, I  
14 think it is important for you to have the background to  
15 understand that or to better understand it.

16 In 2002 -- 2001, I was involved in a pretty nasty

17 divorce, pretty difficult divorce. And although during my  
18 practice career, my wife was not heavily involved in the  
19 practice, she kind of had an idea of what was going on most  
20 of the time. I at least tried to keep her apprised of the  
21 salient features and events, and things like that, that were  
22 important for us to understand as a couple.

23 But, the day-to-day operations, she really wasn't  
24 too much a part of. And during the divorce, we had a  
25 hearing, it was August 13th of 2001, in the Court of Common

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1 Pleas in Crawford County. And at that time, I was very much  
2 shocked because it was the on record denial in an effort to  
3 obtain property of many, many of our financial realities.

4 And at that time, I guess I was in denial as to  
5 what was happening, but I could see that there were great  
6 difficulties and I couldn't understand the testimony that was  
7 coming from her until a couple of months later that I  
8 suspected of her cooperating with the IRS to the point of now  
9 being in a much stronger position to punish me.

10 And I think it was at that time that I began  
11 collecting and bringing things together in my life because I

12 was not sure if I was going to stay only because I needed  
13 some time to think, and it was a very difficult thing to find  
14 out a person, who you had spent many years with, was actually  
15 working against you for the sake of -- for the sake of money  
16 and property.

17 So, I suspected this cooperation. And I would just  
18 like to enter in -- I believe it's already in the record, as  
19 a matter of fact -- the Defendant's Exhibit A, the plea  
20 agreement with the government, that this basically was  
21 entered into on May 19th, 2004, but it's a memorialization of  
22 obviously what had been going on and my suspicions were kind  
23 of confirmed.

24 This will be in evidence. It will be Exhibit A,  
25 that I think it's important that the jury consider it and

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1 look at it in light of some of the testimony.

2 MR. VORACEK: Your Honor, the government would  
3 oppose the admission of that document. I believe Mrs. Leveto  
4 was questioned about that while she was on the witness stand  
5 and the point was made. I don't see the purpose of any

6 relevancy to the issues of this case.

7 THE COURT: Well, this is a plea agreement letter  
8 between Mrs. Leveto and the government.

9 MR. VORACEK: Yes, Your Honor.

10 THE COURT: I think that's admissible. We'll admit  
11 it. The Defendant's Exhibit is admitted.

12 A I just believe, for some background, that it is  
13 important to know about that and to get to examine it even  
14 though I didn't refer to it. It's quite a lengthy agreement  
15 with a lot of demands and commitments on her part.

16 So, with this happening, in mid-August, 2001, yes,  
17 I did know that I had some real difficulties that I had to  
18 perhaps think about and get away from for a little bit. And  
19 it was very difficult for me at that time.

20 On December 11, 2001, and I've really made no  
21 denials about this, that was my trigger when the indictment  
22 was unsealed. Because considering the difficulties with the  
23 litigation and the lawsuit and my absolute determination to  
24 continue with the lawsuit, that combined with the fact that I  
25 knew someone that was very, very close to me was giving and

1 offering information that I had no idea the sky could be the  
2 limit because what I had heard in August of 2001 was very,  
3 very shocking to me not at all within the reality of our  
4 finances.

5 So, I feared at that time that perhaps I could be  
6 subject to some very unfair play and what I meant by -- what  
7 I mean by that is, I had commitments to some offshore people  
8 to pay loans off. I had other commitments that were  
9 realities.

10 In August of 2001, those realities in open court  
11 were denied. And to look at that testimony and what perhaps  
12 was going on behind the scenes and my ongoing fight with the  
13 Internal Revenue Service, there was a very good possibility  
14 that I could get to court or get to an arraignment and some  
15 surprise be brought onto me that I couldn't get out and  
16 straighten things out, or I could be placed in jail without  
17 bond, or something like that.

18 In my mind, the very real possibility of that  
19 existed. And I felt that I needed to conduct and insure that  
20 some things offshore were potentially taken care of so when I  
21 did -- or if I did come back to take care of this thing,



22 people on the outside weren't going to be suffering for that.

23       So, I had visions that perhaps my family or my  
24 children could have even been in danger if there was  
25 something that happened in court, and there are things that

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1 can happen. You can go to arraignment, and everything, look  
2 as though, you know, what's going on and be presented with a  
3 superseding indictment, things can be -- things can really  
4 change a lot. And I had real fears inside for doing that and  
5 I believe that I really wanted to take care of other things  
6 and insure that there would be no retribution for anyone  
7 offshore if I was unable to take care of them if I was  
8 incarcerated.

9       So, that just gives you a little bit of background.  
10 I have never -- I have not ever had a history of not facing  
11 up to my responsibilities. I have had no difficulties with  
12 the law, or anything, and certainly my record of litigation  
13 with the Internal Revenue Service never intimates anything  
14 about me not being ready to stand in front of them and defend  
15 myself and work and fight for the truth.

16       Okay. Now, I would like to talk a little bit again

17 about the book. That is Government Exhibit 43. And it's  
18 already admitted. We are not going to go into the book. I  
19 am just going to make some general statements.

20 MR. LEVETO: Your Honor, I have in my exhibits. I  
21 only have one chapter of the book, and I believe the whole  
22 book was on the exhibit list. Is that correct?

23 THE COURT: It's be admitted. The entire book?

24 A Okay. Because I only had one chapter. I think that  
25 it's important that you browse the book, browse the --

34

1 certainly the preface and the forwards and things that will  
2 help you understand a little bit and gain a perspective on  
3 what's happening and look at the amount of information that's  
4 in the book.

5 It's obviously too much for anyone to read quickly,  
6 but I think it is important just to have an idea, and to have  
7 an idea of the interest and staying within the limits of the  
8 law.

9 Now, that book sold for anywhere from three hundred  
10 to \$1,275.00. And I really believe that, and certainly it

11 was my belief at that time, that it shows many, many things

12 that most publications do not show. And I think that I don't

13 believe that I was making friends by marketing this book.

14 Again, I wasn't the author of it, but I don't

15 believe that I was making friends offering it. But, the

16 government makes a large amount and comments greatly about

17 lifestyle and doing things and working at things tax-wise and

18 maintaining the lifestyle.

19 Well, really if one thinks about it, it's real

20 important to understand that successful methods of tax

21 savings really necessitate that a person doesn't become a

22 pauper to be able to save them and save the taxes.

23 So, it is important to understand that that's

24 almost a measurement of many ways of avoiding, and which is

25 lawful, avoiding the taxes that you can do.

35

1 Now, one of the -- the book was always sold with a

2 guarantee, of course, if anything was found illegal or

3 untrue, there would be a full refund. That was a very

4 important thing. But, it was sold in such publications as

5 the Los Angeles Times, Investors Business Daily, the Wall

6 Street Journal, which I believe that it is an exhibit that's  
7 already in. It's a Government Exhibit, 109. I would just  
8 like to read this.

9 MR. LEVETO: Steve, could you put this on the  
10 monitor, please, the Wall Street Journal letter?

11 A Any of the publications that accepted the book, there  
12 would be no acceptance unless their Legal Department  
13 scrutinized it. So, it was kind of like a referee journal  
14 that they had to look at it and look at the ad and feel  
15 comfortable about that.

16 The Wall Street Journal? It's the one on my  
17 letterhead. I'm sorry. It's exhibit 109. I'm sorry. The  
18 Wall Street Journal actually had five copies of the book  
19 for -- for in the neighborhood of six weeks.

20 But, this is kind of a typical letter that I would  
21 write to a publication as we would sell the book.

22 Dear Mr. Krisch,

23 Enclosed is a copy of Tax Free for your  
24 examination. Please feel free to open it and carefully look  
25 at it.

1 Pay particular attention to page ii. This is the  
2 first of several instances where the author advises the  
3 reader to seek counsel or the advice of a professional for  
4 their particular situation. He emphatically directs them to  
5 insure that they break no laws.

6 Feel free to phone the author, Don Turner, at (303)  
7 798-0800 for answers to any complex questions. He is a man  
8 of great integrity and would be happy to answer any  
9 questions. He has devoted a considerable number of years to  
10 this intensive and documented research. I will admit the  
11 book is expensive; but I assure you that it is in reality a  
12 bargain. By the way, \$1,275.00 is the minimum that the  
13 author allows the book to sell for.

14 It has been cleared for advertising in the Robb  
15 Report and will be published in the Physician's Classified  
16 Journal on November 1st, 1992. My real desire is to place my  
17 lead generating ad in the Wall Street Journal.

18 I look forward to discussing this further. I will  
19 contact you later today. Thank you for your time.

20 So, that is kind of the standard letter that went  
21 out and the book was examined by various publications. Now,

22 I realize that that doesn't qualify, but it speaks a little  
23 bit to my interest and my openness about this. So, it has  
24 passed pretty significant scrutiny previous to this.

25 I would also like to make a note about privacy and

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1 secrecy because it's kind of a -- there is a funny ring to it  
2 a little bit because I think the people at First America  
3 Research oftentimes spoke of that a lot, but I believed it  
4 was kind of a value-added approach for them many times that  
5 they would discuss things like that, talk about things like  
6 that, and many people that offered and were intrigued to it,  
7 but basically they were protecting their trade secrets many  
8 times, but a lot of time making sure people were knowing  
9 things that they weren't paying for.

10 Now, we are going to talk a little bit about the  
11 general information within the book. We have to -- we also  
12 revolved around estate planning, vehicles, business vehicles  
13 within the United States that can be constructed as trusts.  
14 As I was telling you in my opening, that Erie Insurance  
15 Exchange is a business here in Erie that most people don't

16 realize that it's a very strong and very old and honored type

17 of trust, very similar to a colato.

18 But, colatos in the United States are just a

19 particular breed of trust and they can be for business

20 vehicles. They can be for estate planning. They can be for

21 protection of assets. And, of course, many times

22 professionals are interested in that because of lawsuits and

23 other types of litigation, but everybody is interested in

24 those types, at times, and liability protection can be very,

25 very, very, very important.

38

1 But, in the case that the government has presented,

2 there have been some things, again, that without knowing the

3 context of them, it is very difficult to know what they mean.

4 And early on in probably 1991 or 1992, I was

5 interested, after my family had personally gone through a

6 lawsuit, I was interested in asset protection. And initially

7 we had formed some domestic colatos. One of them was called

8 Wayne Co. and that domestic colato is in evidence. And it

9 basically was brought about to -- similar to a corporation as

10 an entity in itself, to open up a Post Office box and/or open

11 up a -- like a safe deposit box in a bank. And I think those  
12 are the things that are listed on that particular trust  
13 indenture, but that's within evidence, but Wayne Co.  
14 basically was just a domestic colato used for that reason.  
15 Edge Co. was also one of those. It was a domestic  
16 colato. And that was originally targeted to house -- a house  
17 on Edgewood Drive. So, it was just called a name that would  
18 ring well with that, but it was basically going to be for  
19 some protection for the house, asset protection, and things  
20 like that. Although the process was started, it really was  
21 not taken to a full fruition later.

22 Later on, there were decisions made that that  
23 wouldn't be necessary, but Wayne Co., also, we had gotten and  
24 we had submitted an SS-4, I think you saw that in evidence,  
25 for an employer I.D. number in case we wanted to do other

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1 things with it or establish any kind of business entity with  
2 it. But, that never happened either.

3 But basically, um, it was used at one time to  
4 purchase some money orders. Some of these things to me were



5 experimentation just to see if we could do it and if it would

6 work purchasing them in that way, and it did. But, at that

7 time, that's just what it was, it was nothing other than

8 that.

9 Again, from the outside, it raises great numbers of

10 questions, but there was really no particular function, no

11 nefarious function to it other than experimenting with the

12 strength of what we were doing.

13 Now, it's important to understand that we had

14 talked a little bit this morning of the taped conversations

15 that I was monitored on. And it was made abundantly clear,

16 and if you peruse the transcripts from the tapes, you'll see

17 many such things talking about unwinding was always something

18 to do with a domestic colato.

19 In other words, many corporations and even trusts

20 that do business, something like even Erie Insurance

21 Exchange, large businesses, many of them have within the safe

22 of that company or organization -- with someone that is very,

23 very powerful -- and on file letter of residential. It is

24 not an unusual thing. And what it does is, it can tear their

25 relationship out of that organization. So, those were in

1 this case. It was certainly always discussing domestic  
2 colatos.

3 But, they are a very powerful tool. And it's  
4 important to understand that some of this evidence, that was  
5 very difficult to make sense out of, was just working with  
6 some of that, experimenting with them and seeing how things  
7 could be put together.

8 Now, we are going to move on now with a bit about  
9 my relationship with Center Company. Within the evidence,  
10 the government's evidence, I believe it's Exhibit 92, this is  
11 an agreement between myself and Center Company. It's a  
12 little bit of a confusing agreement, but a lot of the reason  
13 it's confusing is because a non-veterinarian in Pennsylvania  
14 is really not allowed to, per se, own a veterinary practice.

15 So, there had to be some creative things done  
16 within the agreement. And to do that, Russ Schetroma from  
17 Meadville from Culbertson, Weis, Schetroma & Schug, recruited  
18 the services of Cohen & Grigsby, quite a large firm in  
19 Pittsburgh, and from Center Company was Mr. Edwards, that  
20 they talked to only a couple of times, but they did speak

21 with -- speak with either me or Don Turner representing

22 Center Company. And James Scarpitti, who has testified here,

23 did a lot of the work putting together the accounting

24 advantages of the deal.

25 But, I would just like to let you know that

41

1 agreement is within evidence, and that agreement, to bring

2 these experts into it and to bring these experts to be

3 properly dealing with an unincorporated business

4 organization, we had to recruit people that felt comfortable

5 with it. And it is very important to understand that, that

6 negotiations was somewhere in the neighborhood -- took

7 somewhere in the neighborhood of seven or \$8,000.00 to put

8 together to have the expertise to do it properly.

9 MR. LEVETO: Now, we are going to need, Steve, if

10 you could help out little bit with -- I believe it's

11 Exhibit C. Yes, Exhibit C, the flow chart.

12 A Basically, I would like you to understand a little bit

13 more about First America Research.

14 Basically, First America Research is an

15 organization headed up by Don Turner that performed somewhat

16 of a finder's function. And that finder's function is  
17 bringing people in the United States together with people in  
18 offshore jurisdictions, oftentimes in the Turk and Caicos  
19 Islands, together that had mutual business interests or feel  
20 that they can bring together some type of a business  
21 relationship that can be mutually beneficial.

22 I believe it is important that, as you peruse the  
23 book a little bit and look at some of the other evidence that  
24 was entered here, I think you'll agree that it's a pretty  
25 professional organization.

42

1 But, what we are going to do is, we are going to  
2 take some of the mystique out of what happened to -- or what  
3 happens to a dollar as it moves offshore with a company that  
4 purchased the practice. I think it is important to follow  
5 that dollar so you can understand where it goes and what's  
6 happening with it and the rationale and what's going on.

7 It will help bring a lot of the facts together and  
8 a lot together that you have been presented which has been  
9 somewhat confusing and, unfortunately, perhaps supports the

10 government's theory without knowing the realities of what are

11 going on.

12 So, as we look at the top, we can see that the

13 profits kept on shore basically are reportable from the

14 veterinary business and with the exceptions of loans, but the

15 dollar comes down to Center Company, which is located in the

16 Turks and Caicos Islands.

17 I don't know if that is readable over there. Can

18 you read the board all right? My writing is not that good,

19 but I don't know if the jury can see that. It may need to

20 be --

21 MR. LEVETO: Do you want to come up here, Steve?

22 If you would like to make it larger, then move the

23 page. I apologize for my flow chart not being as nice as the

24 government's, but I am somewhat limited on my abilities where

25 I am at working at this time.

43

1 You got the reverse side there. That's good. Just

2 make sure we have the left side, the left border here, so we

3 can finish with one and then move over.

4 It's cutting off the left side there a little bit.

5 Okay. There we go. That's better. Okay. Thank you.

6 A Basically, you can see, as we plot this out so it is  
7 easier to understand, Jack Williams is the CEO and trustee of  
8 the Turks and Caicos Islands. The dollar that he receives,  
9 there is a choice, that he either can report that dollar and  
10 pay tax on it or he can distribute it as a K-1 distribution.

11 You can see that, as we move to the right, a K-1  
12 distribution to his investor or the colato certificate  
13 holders, or it's very similar to a corporation stock, to the  
14 certificate holders, into an intermediary company.

15 And at this particular time, the intermediary  
16 company may be Vericon, may be ASTCO, may be Newbury.  
17 Basically, the intermediary company often, as I have here  
18 underneath kind of a service business, they can file or do  
19 paperwork or do taxes for various organizations down there.

20 That intermediary company in the same way can  
21 choose to distribute those funds, or after their return on  
22 investment, they can also choose to do a K-1 distribution.

23 Now, that K-1 distribution, again, is done to the  
24 certificate holders like stockholders of that particular  
25 company.

1 I have on the arrow that's traveling downward and  
2 curves over to the left towards Box Elder, a dotted line off  
3 of that that I would like to explain a little bit.

4 That movement used to be to a person who had a  
5 company named Leonard Adler, and that's the account that  
6 we've heard a lot about over the last several days. He was  
7 the initial investor for the colato. His company -- I am not  
8 even sure what his company was, to tell you the truth,  
9 because he was the investor himself.

10 But, he -- we negotiated on setting up a bit of a  
11 straight depositing account because my interest from the  
12 beginning was also trading commodities, and I wanted to find  
13 people that were interested in commodity software programs,  
14 commodities trading, and that I could help them and they  
15 could be beneficial to me.

16 So, although the things were somewhat slow in my  
17 development, I did have a software program that was very  
18 interesting to some of the acquaintances I had there

19 But, Leonard Adler and my -- actually, my  
20 relationship with him was kind of short-lived even though

21 things lasted -- you know, that account did last longer.

22 But, essentially we saw evidence that showed that  
23 there was an application sent to TSB. There were a number of  
24 things that were going to happen for us to set up a trading  
25 account together; the P.O. Box in Meadville; the signatory

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1 stamp showing his trust in me as being able to direct or do  
2 some things that could benefit us for trading.

3 But, essentially the authority I had there was  
4 connected all to trading, trading futures, and that was  
5 something that really never got off the ground.

6 But, essentially that company kind of disappeared  
7 and Box Elder became the actual next certificate holder that  
8 was the business that I was deal dealing with.

9 And Box Elder, one of the principals that he had  
10 spoke to before was, I believe, an Arthur Acinbbo. But, most  
11 of this was done through the facilitation of First America  
12 Research, also, so Don or some of his staff were in  
13 communication with these people all the time.

14 Now, Box Elder, just like the other companies,



15 certainly received returns on investment. There needs to be  
  
16 economic realities in the transactions, and Box Elder was  
  
17 able to have money that was not effectively connected to the  
  
18 United States. So, the benefits that Box Elder got was a  
  
19 very nice return on investment, and the benefits that I got,  
  
20 if I got benefits, could be a number.

21       One of them could be that I could have -- since we  
  
22 were going to be involved in commodities trading -- that I  
  
23 could have deferred compensation after I finished developing  
  
24 the software that I was developing.

25       Another thing was to -- if I was making any

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1 investment decisions at all, if I directed the investment  
  
2 decisions to make profit, I could also share those profits.

3       And another thing was, depending on the situation  
  
4 with me, I could also basically borrow that money at a good  
  
5 rate and use that money to help develop the software or even  
  
6 use it for personal use. It really didn't matter.

7       But, essentially in doing this, this was a win-win  
  
8 situation for everybody involved. Okay? And that's a very,  
  
9 very important thing to understand.

10 So, this checking account from Box Elder, I had  
11 permissive control over it. I really did not have discretion  
12 over it, and at any time that I did wire anything like that,  
13 I was given that permission.

14 As we had discussed yesterday, it was essentially  
15 the same as what my office manager had in my practice. I had  
16 given her a blanket ability to wire funds and she had my  
17 check stamp that she paid all accounts receivable and, you  
18 know, that functioned fine like that without her certainly  
19 having any real authority over the accounts.

20 Now, that Box Elder account, after I had done some  
21 research, I had made it known, and at the same time they were  
22 also discovering this, that there was a different type of  
23 account, that I called it the RMA International Account.  
24 And, again, as I said, I was able to advise and help invest  
25 this money. And whenever one was able to profit and do well,

1 it was something. It was a win-win for everyone.

2 Now, as you have seen the money traveling here, the  
3 money ultimately ended up when they made the decision to open

4 up the Box Elder account in -- I guess it was Bethesda,  
5 Maryland. I was really not aware of the location that it was  
6 opened up. But, the principal opened up that account in  
7 Bethesda, Maryland. That account is certainly not owned by  
8 me. I do look for investment opportunities to help them out.  
9 It does have a book, a checkbook, and I am a signatory on  
10 that checkbook with permissive authority, and I do actually  
11 have a debit card for that account also.

12 But, that account actually is a domestic account at  
13 this time. So, it is one of those things that I was an  
14 investor -- I was -- still had no discretionary control.  
15 But, that's the explanation, because it's confusing to watch  
16 the movement of money to not know just what's happening.

17 But, the statements to that account were mailed to  
18 my house. Again, having some input, investment input over an  
19 account certainly doesn't mean ownership. But, at this  
20 particular time, I do believe that account to be inactive.

21 So, this gives you kind of a roundabout way of  
22 seeing what happens to funds as they go offshore.

23 Now, did I derive benefits sometimes? Well, at  
24 this particular time, I have to say that I did derive  
25 benefit. And the benefit I derived, though, was essentially

1 from loans for taking care of later down the road.

2 The other business interests that I had, the better

3 I -- or the better I performed for them with investments, the

4 better I was able to do and have, you know, some of these

5 benefits that might not normally be available. So, I think

6 it's important for you to understand that.

7 Now, I think it's also important to understand that

8 over the years, many people have set up things themselves, to

9 have nominee businesses or fake businesses or nominee names,

10 and different entities. That is a very, very easy thing to

11 do. And, unfortunately, it's patently illegal and it's well

12 within the law books to see that case law as well as laws and

13 regulations.

14 But, I think that it's important to understand that

15 my situation here, I was interested from the beginning with

16 the attorneys working with me all the way through working

17 with First America Research, and working through these

18 offshore entities, I was very, very, very interested in

19 abiding by the law at all times.

20 I think there has been a lot of discussion, as  
21 evidence has been reviewed, but the fact of the matter is,  
22 the things that I was doing, and as you will see when you  
23 peruse the book, they are issues, that those issues are  
24 looked at and examined and discussed. So, it's not done in a  
25 haphazard way.

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1 Those two accounts, I certainly maintain, Box Elder  
2 and Leonard Adler, were not reportable and they were  
3 permissive with anything I could do with them, unlike the TSB  
4 account where I absolutely did have that account. My wife  
5 and I opened it up and it was opened up in a normal way.  
6 Flows of funds to that account basically were flows  
7 that either were legitimized by, you know, what we were doing  
8 if it was our own money or if we had gotten a loan, that  
9 could be another way there could be money there. But,  
10 basically the TSB account was an account that was not or did  
11 not go over \$10,000.00.

12 Now, the benefits in a situation like this, as I  
13 had told you, I was looking for limited liability as a person  
14 might do with a corporation. It was kind of an automatic way

15 of building in some deferred compensation. In other words,  
16 if I was borrowing some money or if I was living on a certain  
17 amount of money, I had the choice if I needed to borrow some,  
18 or I had a choice if I actually wanted to allow other  
19 investments to enhance every one's income and then have more  
20 available for me to borrow.

21 The software development that I was involved with,  
22 that's where I don't know if you are familiar with futures  
23 trading, but futures trading is somewhat a risky business.  
24 But, if people do it properly, it's not a terribly dangerous  
25 investment. But, since 1987, I have been working on software

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1 programs and trading issues that basically were the interest  
2 between -- the common interest between all of us.

3 The offshore people, I kind of had a commitment  
4 that they were going to -- at the time that the software was  
5 finished, they were going to get the rights to it and  
6 purchase it. And I was hoping at that time that if I had  
7 some outstanding loans, that would help take care of that.  
8 But, at the same time, that was kind of the common interest

9 with all of us.

10 Also, my Center Company was interested in that also  
11 for me to perhaps trade for them.

12 Okay. Let's talk about the about the veterinary  
13 practice a little bit. Kind of travel back across the blue  
14 water.

15 I believe it's important to understand that not  
16 many employers, nor myself, would speak very personally to  
17 most of my employees. So, there has been a lot of testimony  
18 of what I had told employees, and things like that. And I  
19 think it's kind of a normal thing for an employer to allay  
20 fears of employees that naturally are always concerned if  
21 things are going to change, if they are going to lose their  
22 job, or anything like that.

23 So, discussions with my employees. Basically, I  
24 called them together, not to say that there was a name  
25 change, but to say that the practice had been sold. I

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1 believe that it's important to make that distinction because  
2 really the practice was now named Center Company doing  
3 business as Langdon and Leveto Veterinary Hospital.

4       We have seen admitted into evidence general  
5   manager's powers, which were quite wide for me, which I  
6   virtually had mostly unfettered powers if I was staying  
7   within the realm of doing well with the business making  
8   profit with the business and taking care of things.

9       It's important to note that when the Schedule C did  
10   disappear from my tax returns, the Schedule C did appear on  
11   Center Company's tax returns. And with that purchase, I  
12   would like to tell you a little bit about the principles in  
13   the background of some of the borrowed money on shore.

14       Basically, the principle was that Center Company  
15   was paying me, as evidenced by the tax returns, about  
16   \$2,200.00 a month. I believe it was \$2,198.00 a month. That  
17   was the payment, or the supposed payments.

18       What happened was, as I began to borrow money, that  
19   was offset against some of the loan amortization that would  
20   be done during the year. So, it was always put on my tax  
21   return properly because that was certainly income that I had  
22   that would be matched out of some of these personal expenses  
23   that you have seen.

24       But, the thing is, it was reconciled against



25 personal monies at year's end. In other words, if we look at

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1 just about \$24,000.00 a year, that could be matched off  
2 against borrowing also personally from Center Company. And  
3 that's where some of the personal expenses were being run  
4 through the business, so that was being tallied each year and  
5 a report was being sent to them.

6 MR. LEVETO: Could we have 136 up on the screen?

7 A Government Exhibit 136 is just an example of a personal  
8 note made by myself in 1994. And a copy of that would have  
9 gone to Center Company. But, essentially the accounting of  
10 the personal monies and the accounting of loan monies were  
11 reconciled at year's end.

12 Now, they were -- it was done in conjunction with  
13 speaking to Don and Paul and some of his staff members, as  
14 well as oftentimes Mr. Edwards offshore, who was the counsel  
15 for Jack Williams. But, essentially that is how that was  
16 documented. And in all actuality, depending on what my needs  
17 were, this was going to be offset even by the principal  
18 involved in what the value of the practice was.

19 So, during this time, this was viewed -- certainly

20 it was a very good thing for me, and it was -- also, many of  
21 the things I was doing for them was helping them out also.

22 Okay. I think it's important to note when we look  
23 at everything, you will see that there really was total  
24 transparency of everything. There was really nothing hidden.

25 My office manager carried on many, many of the

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1 day-to-day operations that I might direct or movements of  
2 money. I think that I certainly see now that there were too  
3 many checking accounts, but those checking accounts kind of  
4 had functions initially and they ended up being used as  
5 holding areas, and things like that, that again looking from  
6 the outside I was involved with it and I'm even a little  
7 confused of why some of the things look as they do but,  
8 again, out of context, it doesn't matter if there is five  
9 checking accounts. What matters is the funds.

10 So, the transparency is very, very important to  
11 look at. And, you know, I think it may have been a lot  
12 easier -- thank you -- it may have been a lot easier if there  
13 perhaps wasn't what I believe was a bit of a vendetta about

14 this book. It would have been a lot easier to look at many  
15 of these things through a civil audit where someone like  
16 Miss Iddon that you have heard testimony from could question  
17 a lot of these things and actually understand them or have  
18 them explained in a way that perhaps they could know if they  
19 are feeling comfortable with them or what documentation was  
20 needed, and things like that.

21 But, I believe that what I was doing furnished the  
22 proper documentation. Again, since I never was audited, I  
23 can only say that sitting here now in a way -- that it could  
24 have been a way that I could have provided that information.

25 Next we are going to touch on something else that's

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1 been brought up that I think is really important. Government  
2 Exhibit 1-F-2 is an exhibit that I would like to point out to  
3 the jury -- ultimately, I would like you to examine and read.  
4 It's too extensive to go over now -- the attachment on one of  
5 these zero returns.

6 MR. LEVETO: Steve, could you put up Exhibit B,  
7 please?

8 THE COURT: I think this is a good time to take a

9 break. It's quarter to eleven. So, we'll recess until

10 eleven o'clock.

11 (The jury left the courtroom.)

12 (Court recessed at 10:45 a.m.)

13 (Court reconvened at 11:00 a.m.)

14 THE COURT: Good afternoon. Be seated, please. Or

15 good morning. It's still morning.

16 Okay, Mr. Leveto, you can continue.

17 MR. LEVETO: Your Honor, I would like to move to

18 admit Exhibit C. I don't think that I did that.

19 THE COURT: Exhibit C is your diagram?

20 MR. LEVETO: Yes.

21 THE COURT: Exhibit C is admitted. I don't have a

22 B yet.

23 MR. MISKO: I have B up, Judge.

24 MR. LEVETO: That's coming.

25 THE COURT: That's the letter to -- the personal

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1 note?

2 MR. MISKO: No, Your Honor. That was a government

3 exhibit. This was an article that Dr. Leveto wants on the

4 screen. That's his Defendant's Exhibit B.

5 A Okay. I would like to just talk briefly about the zero

6 returns, as you have seen a few times. And I'd ask you to

7 mark down -- I don't have it available to me, 1-F-2, which is

8 a zero return with an attachment that I would like you to pay

9 particular attention to.

10 But, at the same time, I think it will provide you

11 with -- to provide you with some insights on some of the

12 research and some of the things that I believed at that time

13 and, by the way, I believe that this was -- those were filed

14 in 1997. I believe they were close to the end time of this.

15 They certainly had nothing to do with the book or nothing to

16 do with the things that I had done regarding the book or any

17 of the other things I was involved in.

18 But, I would like to bring to your attention

19 Exhibit B. And Exhibit B is a letter that really summarizes

20 some of the material that -- the real thrust of what that

21 attachment is about that I filed back in 1997.

22 So, I just like to -- I would like to read this.

23 It's not very long. I would like to read this just to give

24 you a little bit -- provide you with a little bit of insight.

25 It came from Book News, Publishers News Wire, and

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1 it is titled, Noted Tax Historian's Book Declares U.S. Income  
2 Tax as Direct Tax is in Violation of Long-Established U.S.  
3 Supreme Court mandates.

4 This letter was published on October 1st, 2004.  
5 Tallahassee, Florida. John Garrison, prominent tax  
6 historian and legal specialist in Florida's Office of the  
7 Attorney General, today announced that the income tax is  
8 being erroneously enforced on employees as a direct tax  
9 rather than as the excise mandated by the Sixteenth  
10 Constitutional Amendment. The current enforcement as a  
11 direct tax is costing working Americans thousands of  
12 improperly collected tax dollars over the course of their  
13 lifetime. Garrison is currently writing about his findings  
14 in his book The New Income Tax Scandal which he is  
15 co-authoring with Brian Stabley, J.D. an Assistant Attorney  
16 General at Florida's Office of the Attorney General.

17 The New Income Tax Scandal is about the corruption  
18 that lies at the heart of the tax system, said Garrison. As

19 a result of my legal case against the IRS in 2000, the IRS  
20 now privately concedes that, in 1915, after the ratification  
21 of the Sixteenth Amendment, the U.S. Supreme Court ruled in  
22 the case of Brushaber versus the Union Pacific that an income  
23 tax is an excise tax, and that it is to be enforced as such.  
24 An excise is not a direct tax on property, but an indirect  
25 tax.

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1 The critical difference is that a collection of  
2 income tax as an excise allows for the deduction of all  
3 living expenses since they are seen as necessary for the  
4 maintenance and conservation of one's income producing  
5 property, one's labor. With a direct tax, this is not  
6 possible. Given this, it appears that up to my legal case,  
7 the IRS had been operating as if it had no awareness of the  
8 Sixteenth Amendment's intent. End quote.

9 Clearly, concedes Garrison, this revelation has  
10 enormous political and economic implications for every  
11 American employee and it is my hope that my book will compel  
12 policymakers to right this obvious injury to the American  
13 workers.

14 John Garrison has been engaged in tax law research  
15 and tax reform activism for over two decades. He currently  
16 serves as a legal specialist at Florida's Office of Attorney  
17 General, Bureau of Administrative Law.

18 Brain Stabley is an Assistant Attorney General at  
19 Florida's Office of the Attorney General, Bureau of  
20 Administrative Law.

21 I have only read that to you not to qualify any  
22 particular thing other than just letting you know that on  
23 that attachment and some of the information that you would  
24 read on it, the central theme to that has a lot to do with  
25 what is now coming out in somewhat of the mainstream press.

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1 So, like I said, this took place towards the end of  
2 the time we are talking of these charges anyway, or after  
3 them, but I just like you to -- I would like you to know  
4 that.

5 Now, I would like to touch a little bit on land  
6 deals and aircraft buying and selling. And, again, I was  
7 engaged in business to try to make profit and mutually



8 benefit multiple people. If other people benefitted, I

9 benefitted as well.

10 I think that it's important to understand that I

11 can't tell you everything because I don't have a photographic

12 memory of knowing every nuance of every transaction that took

13 place. But, I can only tell you that at that time, I was

14 interested in purchasing and doing some repairs or doing some

15 enhancing on an aircraft if I could purchase it properly and

16 selling it again at a profit.

17 Similar to the land deals, if I could make other

18 people and enhance their profit, I could do the same.

19 So, I just like you to know that, again, I think

20 it's important to understand that everything was done with

21 absolute transparency. There was nothing at all hidden.

22 There was nothing at all done under the table to do that.

23 And that's very, very important.

24 Again, you have to look at this against the

25 backdrop of what possible reason would I be so open and do

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1 all of this if it weren't for my really sincere belief that I

2 was operating within the law? I think that's very, very

3 important.

4 So, some of these things that have seemed so  
5 confusing, really in many ways the confusion comes from the  
6 avalanche of facts and numbers without a context.

7 And I hope that I helped you put that into context  
8 somewhat.

9 THE COURT: Does that conclude your direct  
10 testimony?

11 MR. LEVETO: Yes, it does.

12 THE COURT: Cross-examine.

13 MR. VORACEK: Yes. Thank you, Your Honor.

14 CROSS-EXAMINATION

15 BY MR. VORACEK:

16 Q Dr. Leveto, I believe you've just testified that on  
17 December 11th, 2001, you left the jurisdiction?

18 A That's correct.

19 Q That you left the Meadville area on that day?

20 A That's correct.

21 Q And I believe you testified that the trigger for leaving  
22 the jurisdiction on that date was your becoming aware that a  
23 federal indictment against you had been unsealed?

24 A That's correct.

25 Q Now, you mentioned a number of factors that led up to

D. Leveto - Cross(By Mr. Voracek) 60

1 you leaving the jurisdiction, I believe.

2 You indicated you had some litigation with the IRS,  
3 divorce, you needed time to think. I think you indicated all  
4 those things as possible factors in leading you to leave. Is  
5 that true?

6 A Three additional ones. I mean, there were more than I  
7 enumerated.

8 Q All right. But, the essence of your leaving on  
9 December 11th, 2001, was the federal indictment?

10 A No, that's incorrect.

11 Q Was there another reason on December 11th, 2001, in  
12 particular that caused you to leave on that day?

13 A On December 11th, 2001, um, the reason I left that day  
14 was because information had come to fruition that I needed to  
15 take steps to protect even my family.

16 Q All right. So, you are saying that something else  
17 happened -- on the exact date that the federal indictment was  
18 unsealed against you, something else happened on that exact

19 day that caused you to leave the area?

20 A No, nothing else happened. That was the trigger.

21 Q That was the trigger?

22 A Yeah. That was the trigger, yes.

23 Q All right. After you left the area on December 11th,

24 how long were you gone?

25 A How long was I gone before I ultimately was apprehended?

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1 Q Yes.

2 A Until 2004. I believe it was March 17th.

3 Q March of 2004?

4 A Yes.

5 Q So, you were gone for about almost two and a half years?

6 A Two years and three months; yes, almost.

7 Q And during that time that you were gone, you went to

8 other countries, correct?

9 A Yes.

10 Q And, in fact, I believe you went to -- and if you would

11 refer to Government Exhibit 600. Do you have that in front

12 of you?

13 A Yes.

14 Q That's your passport, is it not?

15 A Yes.

16 MR. VORACEK: Your Honor, the United States moves  
17 for the admission of Exhibit 600.

18 THE COURT: 600 is admitted.

19 Q I see, Dr. Leveto, on the first page of your passport,  
20 it appears as if you applied for the passport in July of  
21 1992, correct?

22 A I believe that's what it says, yes.

23 Q And if we page through the passport, it appears that now  
24 during the time that -- during the time that you were gone  
25 from the area, you went to Belize. Was that in March of

D. Leveto - Cross(By Mr. Voracek) 62

1 2002? We have to go to page five of the passport.

2 A No. I would say that was January.

3 Q That was January?

4 A I believe.

5 Q Sometime in 2002, you were in Belize, is that right?

6 A That's correct, yes.

7 Q Now, I think you testified that there were matters that

8 you had to clear up, that there were possible loans out there

9 that you needed to handle --

10 A Yes.

11 Q -- right?

12 A Yes.

13 Q Going to Belize, was that one of those reasons? Were

14 there people there that you needed to talk to?

15 A Well, I had some information that there could be, but it

16 ended up not being that way.

17 Q All right. Well, let's look at page six of your

18 passport.

19 And it appears as if, from page six of your

20 passport, that you were in South Africa also in 2002,

21 correct?

22 A That's correct.

23 Q And was that also in order to clear up some loans?

24 A Well, that was to talk with someone that could help me

25 out in doing that, yes.

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1 Q All right. And let's look at page ten of your passport.

2 And in 2002, were you in Frankfort?

3 A Yes, I passed through there on the way back to Canada.

4 Q Oh, did you meet anybody there?

5 A No. That was just moving through in the airport.

6 Q And let's page through your passport and see -- page

7 sixteen. Were you in Mexico during 2001?

8 A During my flight, yes. That was during the aircraft

9 flight. That was passing through Mexico. I didn't really go

10 to Mexico.

11 Q All right. Now, as you were traveling abroad, during

12 2002, you knew that the federal indictment was still pending

13 against you, did you not?

14 A Yes, I did.

15 Q You knew that you were a fugitive, didn't you?

16 A Yes, I did.

17 Q You knew that the United States was interested in

18 apprehending you for this charge here?

19 A Yes, I did.

20 Q But, you didn't come back in 2002, you didn't turn

21 yourself in during that year?

22 A No, I did not.

23 Q You were still worried about maybe some possible loans

24 out there and you were worried about protecting your family,

25 I believe?

D. Leveto - Cross(By Mr. Voracek) 64

1 A Well, I was worried about making the right contacts,

2 yes.

3 Q All right. Well in -- let's go now to 2003.

4 You are still aware that the federal indictment is

5 out there against you, right?

6 A Yes.

7 Q And during 2003, did you make any contacts with law

8 enforcement officials of the United States to turn yourself

9 in to answer the charges -- to answer the charges in the

10 indictment? Did you do that?

11 A No, I didn't.

12 Q In fact, Dr. Leveto, during the time that you were away

13 from this country, you didn't always go by the name

14 Dr. Leveto, did you?

15 A Well, I did carry camouflaged documents sometimes.

16 Q Camouflaged documents?

17 A Yes.



18 Q Because you knew that the federal government, United

19 States Government was interested in apprehending you to face

20 these charges?

21 So, in order to conceal yourself from the United

22 States, you carried camouflaged documents with you, is that

23 true, sir?

24 A No, that's not the term I am using camouflaged documents

25 for. That's a misrepresentation of them.

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1 Since 9-11, camouflaged documents have become quite

2 popular for traveling and flying or doing different things

3 that may subject one to some danger so --

4 Q Oh. So, when you travelled abroad, you used names that

5 were not your own?

6 A No. I used my own because -- but, I only had documents

7 in case the necessity arose for the difference.

8 See, the principle of camouflaged documents is, if

9 you are hijacked, okay, if you are in trouble in another

10 country, depending on what the problem is, sometimes that's a

11 thing that you have to do.

12 Q Because I think you just testified that when you went to

13 South Africa and Belize, you had the passport in your name?

14 A Yes, I did. Yes.

15 Q Now, let's look at Government's Exhibit 601.

16 Do you recognize that document?

17 A Yes, I do.

18 Q It was a document that I believe you carried around with

19 you at the time that you were away from the United States,

20 right?

21 A Um, yes and no. This document was not used -- it was

22 experimentation that I did on my computer, but it was not

23 used.

24 Q So, you prepared this document?

25 A Yes.

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1 MR. VORACEK: Your Honor, the United States moves

2 for the admission of Government Exhibit 601.

3 THE COURT: 601 is admitted.

4 Q And I believe it's a certificate of birth, correct?

5 A Yes.

6 Q And the name is Daniel John Miller?

7 A Yes.

8 Q And the birth date on that is 6-12, 1950. I believe

9 that's your birth date, is it not, sir?

10 A No.

11 Q What is your birth date?

12 A My birth date is 6-21-50.

13 Q 6-21-50?

14 A Yes.

15 Q So, you prepared this certificate of birth in the name

16 of Daniel John Miller to carry around with you while you were

17 a fugitive of the United States Government?

18 A Yes. If I was flying.

19 Q I ask you to look at Government's Exhibit 602.

20 Do you recognize that document, sir?

21 A Yes.

22 Q This was another document that you had with you at the

23 time that you were away from the United States, correct?

24 A Yes. For a small amount of time.

25 Q And this appears to be a common law affidavit of

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1 identification, correct, sir?

2 A Yes.

3 MR. VORACEK: Your Honor, the United States moves  
4 for the Government Exhibit 602.

5 THE COURT: 602 is admitted.

6 Q And the name of this piece of identification is issued  
7 to a Daniel John Miller.

8 Did you prepare this document, sir?

9 A Yes, I did.

10 Q The address you gave, 5177 Virginia Road, Hermitage  
11 Pennsylvania, who lives there?

12 A That was a friend of mine. An acquaintance of mine.

13 Q You weren't living there at the time?

14 A No. I had passed through it, but I was not living  
15 there, no.

16 Q And, again, you were carrying this document during the  
17 time that a federal indictment was pending against you, sir,  
18 and that you were a fugitive from the United States?

19 A Only when I flew.

20 Q And this document was also used by you for camouflage?

21 A Well, it wasn't used by me. It was available.

22 Q Available for camouflage purposes?

23 A Yes. Yes.

24 Q And Government Exhibits 603 to 608, are those all

25 documents that were in your possession during your absence

D. Leveto - Cross(By Mr. Voracek) 68

1 from the United States from 2001 through 2004?

2 A Yes.

3 MR. VORACEK: Your Honor, the United States moves

4 for the admission of Government Exhibits 603 through 608.

5 THE COURT: 603 through 608 are admitted.

6 Q And I believe, sir, if you look at Government

7 Exhibit 604, it appears to be a fishing license from

8 St. Catharines. Is that up in Canada?

9 A Yes, it is.

10 Q And it's in the name of Dan Miller, and it's got a city

11 and town, I believe it must be a Canadian location, St.

12 Catharines, right?

13 A Yes.

14 Q Were you living in Canada at the time that there was a

15 federal indictment against you, sir?

16 A For some of the time, yes.

17 Q For some of the time you lived in Canada?

18 A Yes, sir.

19 Q All right. But, you had also -- I think you testified  
20 earlier that you had made several trips to Africa, or at  
21 least one trip to Africa, one trip to Belize and one trip to  
22 Mexico to take care of loans and protect your family?

23 A Initially, I made one trip to those places, yes.

24 Q Would you say that the bulk of your time during the  
25 period of your absence from the United States was spent in

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1 Canada?

2 A No doubt, yes.

3 Q While you were in Canada during the bulk of the time  
4 that you were absent from the United States, were you meeting  
5 individuals with regard to taking caring of loans?

6 A I was contacting them, yes.

7 Q Did you contact them in person or by phone?

8 A Mostly by phone, yes.

9 Q So, these people that you had loan issues with, they  
10 weren't in Canada?

11 A Oh, no.

12 Q You were in Canada in order to avoid apprehension from

13 the United States?

14 I mean, you could have contacted them by phone from

15 here in Pennsylvania?

16 A Absolutely, yes.

17 Q And Government Exhibit 605, Pennsylvania driver's

18 license in the name of David Fuller.

19 Do you have that in front of you, sir?

20 A Yes, I do.

21 Q And that was another document that you were in

22 possession of at the time that you were away from the United

23 States?

24 A I guess I was. I didn't recall that. I guess I was.

25 Q How about Government Exhibit 606? It's a driver's

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1 license from Ontario in the name of Daniel James Levet.

2 Did you apply for a driver's license from Canada?

3 A Yes, I did do that. That was a typo.

4 Q And Government Exhibit 608. It's another driver's

5 license in the name of Chester V. Leveto.

6 Were you also in possession of that document, sir,

7 at the time that you were away from the United States?

8 A Well, no. That was only a temporary possession. I had

9 fished with him in Canada and he had lost some things.

10 Q He lost some things? He lost his driver's license?

11 A Actually, his wallet.

12 Q His wallet?

13 A Yes.

14 Q You were bringing it back for him?

15 A Sure. Sure.

16 Q All right. Dr. Leveto, you're an educated individual.

17 You're an educated man. You have been to college, correct?

18 A Yes.

19 Q Graduated from undergrad summa cum laude, correct?

20 A Yes.

21 Q And you went through undergrad in two and a half years?

22 A Yes.

23 Q Then I believe sometime later, you went to University of

24 Pennsylvania Vet School?

25 A Yes.



1 Q Very good school, wouldn't you say?

2 A Yes.

3 Q And you graduated from the vet school second in your

4 class, summa cum laude, correct?

5 A I believe so.

6 Q And Dr. Leveto, after you got your vet license, you went

7 into business, correct, sir?

8 A Yes.

9 Q And you went into business in Meadville, that was the

10 place that you grew up, right, sir?

11 A I travelled first, did some residency work, but it

12 wasn't right out of school.

13 Q Not right out of school.

14 But, eventually you came back to your home --

15 A Yes.

16 Q -- in Meadville?

17 You married. Did you have children at that time?

18 A Yes. We had three children.

19 Q And you became associated with, I believe, a

20 Dr. Langdon, correct?

21 A That's correct.

22 Q And ultimately during the 1980's, you bought

23 Dr. Langdon's business from him?

24 A That's correct.

25 Q And you ran the business as a sole owner during the

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1 1980's, true, sir?

2 A That's correct.

3 Q I mean, you didn't incorporate the business or run a

4 partnership, or anything, it was you, you were the owner?

5 A Yes.

6 Q And, Dr. Leveto, during the time that you operated the

7 business, the business was profitable, wasn't it?

8 A Yes.

9 Q I mean, you were able to bring in lots of business, half

10 a million dollars or so in business receipts?

11 I mean, you were a success, true, sir?

12 A That's correct.

13 Q And you knew a lot apparently about how businesses

14 operate and you were very good at it, true?

15 A Well, I like to think that, yes.

16 Q And you also knew about business books about ledgers,

17 how to read, some of the more financial aspects of owning a

18 business?

19 A Yes.

20 Q And you hired an accountant at that point,

21 James Scarpitti, to help you on your tax returns, correct?

22 A That's correct.

23 Q And I believe that during the time that James Scarpitti

24 was helping you with on your tax returns, he discussed

25 various tax issues with you, true?

D. Leveto - Cross(By Mr. Voracek) 73

1 A I suppose so, yes.

2 Q And I believe I think we heard from Mr. Scarpitti that

3 there was even a time when he was preparing your return that

4 you even caught an error that he made, a tax error, correct,

5 sir?

6 A I don't believe I remember that, but that is what he

7 said.

8 Q Now, during the 1980's when you owned the business, you

9 worked long, hard hours making the business operate, I

10 assume. Did you work Saturdays?

11 A Yes.

12 Q You made all of the decisions regarding hiring and  
13 firing of personnel?

14 A Yes.

15 Q When the business was to be opened, what services to  
16 provide?

17 A Yes.

18 Q You made all the important business decisions during the  
19 1980's, true, sir?

20 A Yes.

21 Q And during that time, you didn't answer to anybody, did  
22 you?

23 A No, I really didn't.

24 Q You were the man. You were also owner, correct?

25 A That's correct.

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1 Q Now, it's your contention that in October, 1991, you  
2 gave it all up, you gave up the ownership of the business  
3 that you poured your whole soul into, correct?

4 A No, that is not what I said at all.

5 Q Oh, you are saying that you still considered yourself

6 the owner of the business even after October, 1991?

7 A No. But, I didn't give up everything.

8 Q You didn't give up everything?

9 A Right.

10 Q That you still controlled the business, you just didn't

11 consider yourself to be the owner, is that a fair statement

12 of --

13 A I controlled the business adequately to be comfortable

14 with it, yes.

15 Q You wouldn't have given up ownership or your control of

16 a business that you had purchased in the 1980's after working

17 through vet school summa cum laude, working long hours, being

18 the man in charge, 1991, a few years later, you wouldn't just

19 give up your business, would you, sir?

20 A No, I wouldn't do that unless there were reasons and

21 that I really didn't give up a lot of things. There had to

22 be a balance.

23 Q A balance?

24 A Yes.

25 Q Now, in October, 1991, now there is apparently somebody

1 that -- somebody that you have to answer to, isn't there?

2 A Not in reality if things were set up properly.

3 Ultimately, there is someone to answer to. But, if things

4 are working properly, not really.

5 As a general manager, I had wide powers.

6 Q Very wide powers, I would say?

7 A Yes.

8 Q The owner of Center Company, Jack Williams, was he your

9 owner -- the owner of Center Company?

10 A Yes, sir.

11 Q So, he was, as of October, 1991, he was your boss?

12 A Yes.

13 Q And Jack Williams doesn't live in Meadville,

14 Pennsylvania, does he?

15 A No, he doesn't.

16 Q He's down in the Turks and Caicos Islands, correct?

17 A Yes, that's correct.

18 Q And Jack Williams -- I believe you stated to Agent

19 Gonzalez Jack Williams doesn't know you, does he?

20 A No, not personally. I've talked to him on the phone,

21 but he doesn't personally know me.

22 Q You said that Jack Williams was the CEO of Center

23 Company.

24 Do you know of any other occupation that

25 Jack Williams had down in the Turks and Caicos Islands?

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1 A Yes. There are a number of things that he does. He's a

2 taxi driver.

3 Q A taxi driver.

4 A Yes. He has a store. He has a building that rents out

5 to law offices. He also works for the government as a

6 translator.

7 There are a number of things that I know that he

8 does, and he does -- he does head up or at least takes care

9 of registering and working with other business entities.

10 Q So, Jack Williams, a man who also functions as a cab

11 driver down in the Turk and Caicos Islands, as of October,

12 1991, is the owner of Center Company and your boss?

13 A I believe he was the owner of Center Company before

14 that.

15 Q All right.

16 A But, you know, basically, yes.

17 Q Now, even though Jack Williams is your boss, sir, the  
18 cab driver from the Turks and Caicos Islands, he doesn't have  
19 the authority to terminate you, does he?

20 A Well, yes, he actually would.

21 Q Sir, you're testifying that everything you worked for  
22 for this business for seven, eight years in October, 1991,  
23 you allowed a person who is a cab driver in the Turks and  
24 Caicos Islands to take over your business and have the power  
25 to say, Dr. Leveto, I don't want you around anymore, you're

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1 gone? You are testifying that he had that power?

2 A He had that power documentary-wise, but since I was the  
3 practice, there were built-in safety factors only a fool  
4 would feel comfortable doing and having safety factors that  
5 would make that very, very unlikely, only he wouldn't have --

6 Q So, your testimony is that Jack Williams had the power  
7 to terminate you with a big "but," correct, sir?

8 A No, he had the power to terminate me. There is no doubt  
9 about that.

10 Q But, there were safeguards?



11 A Well, they were in my own mind. You are speaking to my

12 state of mind many times so I am trying to share with you

13 some of my workings.

14 Q Dr. Leveto, I've handed you what has been admitted as

15 Government Exhibit 1B. Do you have that in front of you,

16 sir?

17 A Yes.

18 Q That's your tax return for 1990, is it not, sir?

19 A Yes, I believe it is.

20 Q And this is a tax return that has occurred while you

21 were still the owner of your business before Center Company

22 comes in the picture, right?

23 A That's correct.

24 Q And this tax return, I believe, was signed by you and it

25 was prepared by your accountant, Mr. Scarpitti, correct, sir?

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1 A That's correct.

2 Q And, sir, now in 1990, you did file a Schedule C with

3 that tax return, did you not?

4 A I believe so, yes.

5 Q And you are familiar with the Schedule C, correct, sir?

6 A Yes.

7 Q You knew that the type of business -- you were in the  
8 ownership of your business, that it's your duty as an  
9 American citizen to file a Schedule C reporting the financial  
10 activity from your business?

11 A That's correct.

12 Q And you also knew to report the gross receipts of the  
13 business on line one on the Schedule C, correct, sir?

14 A That's correct.

15 Q Sir, I ask you, with regard to your vet business in  
16 1990, was it profitable?

17 A Yes, it was.

18 Q Why don't we look at the very bottom line here on your  
19 Schedule C.

20 What was the profit of your veterinary practice in  
21 1990?

22 A \$176,969.00.

23 Q That is the profit -- after all the expenses are taken  
24 out, that's the profit, \$176,969.00, correct, sir?

25 A Yes.

1 Q Now, sir, you know that the profit of your Schedule C is  
2 transferred to the front of your 1040, is it not?

3 Look at the front page of your 1040, line twelve.

4 A I guess it is. I have to look at it.

5 Q Okay.

6 A Yes.

7 Q And it's there, the profit, \$176,969.00, is on the front  
8 page of your 1040. Do you see that, sir?

9 A That's correct.

10 Q Dr. Leveto, on that 1990 tax return, you had a lot of  
11 total tax, didn't you, sir? Look at line 54.

12 A Okay.

13 Q How much is line 54?

14 A \$29,404.00.

15 Q Now, that was your total tax liability for the year  
16 1990, correct?

17 A I believe that to be true.

18 Q And I believe you made some estimated payments during  
19 the year of \$9,600.00, did you not? Line 56, sir.

20 A Yes.

21 Q So, I believe at the time that the tax return was filed

22 in April, 1991, you still owed the government \$19,724.00 for

23 your 1990 taxes, correct, Dr. Leveto?

24 A Yes, I believe that's correct.

25 Q So, I assume, sir, that when the tax return was filed in

D. Leveto - Cross(By Mr. Voracek) 80

1 April of 1991, you also had to write a check out to the IRS

2 for \$19,724.00?

3 A I don't recollect that, but I would think.

4 Q That was April, 1991.

5 A Yes.

6 Q Sir, it appears that three months later, in July of

7 1991, you become associated with Don Turner and First America

8 Research. Wasn't that about the time?

9 A To the best of my recollection, yes.

10 Q So, it was about three months after you had to pay the

11 big tax bill to the United States you became associated with

12 FAR and Don Turner?

13 Had you decided at that time, Dr. Leveto, that, you

14 know, I pay too much tax, I pay too much taxes, I am looking

15 for a way to eliminate this tax?

16 Did you decide that during that period after you

17 paid that tax bill, sir?

18 A No. As a matter of fact, it was for liability

19 protection initially.

20 Q Was it just for liability protection?

21 A Initially, that was my interest after my family had gone

22 through a lawsuit in the late eighties and early nineties.

23 Q Sir, I hand you what's been marked as Government

24 Exhibits 43.

25 Do you have that in front of you, sir?

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1 A Yes, I do.

2 Q What do you have -- what do you have there in front of

3 you, Government Exhibit 43?

4 A Tax Free, How the Super Rich Do It.

5 Q This is the book that you purchased from Don Turner in

6 August, 1991, correct, sir, August, September, 1991?

7 A No, I didn't buy it from Don Turner. I bought it from

8 someone else, and it must have been before that.

9 Q Sometime before 1991?

10 A Yes, it was sometime in 1991.

11 Q Now, the front of that book, does that say that this is

12 a book for -- to protect you for liability reasons?

13 A No. But --

14 Q What does the front of the book say?

15 A It says, again, Tax Free, How the Super Rich Do It.

16 Q Tax Free?

17 A Yes. The mail piece to where I bought the book, though,

18 it was heavily favored in estate planning and protection and,

19 like I said, that's what first led me to it.

20 But, obviously when I bought the book for this

21 amount of money, I was also interested in all the benefits

22 that I could reap from it.

23 Q Now, during 1991, July and August of 1991, you did have

24 a lot of correspondence back and forth with Donald Turner,

25 correct, sir?

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1 A Yes, that's correct.

2 Q And I believe that you signed a membership in an

3 organization called First America Research, did you not?

4 A I believe, yes. Yes, I did.

5 Q Sir, I hand you what's been marked as Government

6 Exhibit 71.

7 Sir, Government Exhibit 71, is that a letter

8 written from Don Turner to yourself?

9 A Yes, it is.

10 Q And Don Turner, I think, describes in that letter what

11 FAR, First America Research, is about, and I believe he also

12 quotes you a price of getting involved in FAR, doesn't he?

13 A Yes.

14 Q How much did it cost you to join FAR?

15 A For the full membership, finder's membership and

16 everything?

17 Q Yes.

18 A I believe -- let me look here. \$10,900.00. \$10,940.00.

19 I believe that was it.

20 Q An you paid that, didn't you, sir?

21 A Yes, I did.

22 Q You became a member of FAR?

23 A Yes, I did.

24 Q And that \$10,000.00 that you had to pay in the summer of

25 1991, was far less than the twenty -- or \$29,000.00 tax bill

1 that you received in April, 1991, wasn't it?

2 A Oh, yes. Yes.

3 Q Substantially less?

4 A Yes.

5 Q Now, you didn't send Don Turner the money, did you?

6 You went out to Denver, I believe?

7 A Yes, I did. And I believe there was a deposit involved,

8 and I believe I also took cash.

9 Q Did you take cash? Was the cash in a briefcase that you

10 took out there?

11 A There wasn't that much cash, but I think I carried it,

12 the balance.

13 Q You carried the cash?

14 A Yes.

15 Q Where did you meet Don Turner out there in Denver?

16 A I am not -- I don't know if I can remember it. It may

17 have been a residence in -- I am not sure.

18 Q Was it a hotel room?

19 A Yes.

20 Q So, Don Turner, the owner of First America Research,



21 didn't invite you to his place of business, did he?

22 A Well, his place of business was really traveling an

23 awful lot, so I believe, other than his house, and I think he

24 had gone through a divorce recently, so I really didn't

25 question that.

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1 Q Well, you are paying \$10,000.00 to join a program,

2 correct, sir?

3 A That's correct.

4 Q And Don Turner holds himself out to be the man in charge

5 of this program. I think he calls himself the executive

6 director, correct, sir?

7 A That's correct.

8 Q And it didn't cause any suspicions in your mind, sir, to

9 be giving \$10,000.00 in cash to an individual who doesn't

10 have a business office?

11 A Well, basically this was for a meeting to know if I

12 wanted to do that. So, it wasn't like an automatic thing. I

13 had to hear what the information exchange was going to be

14 that had to give it to me so --

15 Q So, you met Don Turner in the hotel room?

16 A Yes.

17 Q And you had some exchange of information at that time?

18 A That's correct.

19 Q And at the end of your meeting, did you provide him with

20 the cash?

21 A I believe that I did, yes.

22 Q Now, Dr. Leveto, as a smart businessman -- and you are a

23 smart businessman -- didn't some red flags or bells and

24 whistles go off in your head that, you know, meeting a guy in

25 a hotel room, paying him \$10,000.00 in cash to belong to this

D. Leveto - Cross(By Mr. Voracek) 85

1 organization, sounds a little suspicious?

2 There were no bells or whistles going off in your

3 mind at that time?

4 A Not really. I had talked with him a number of times and

5 I did know that he lived in that area of Littleton, and I

6 think that he had an associate there, if I remember

7 correctly, and that is how they decided to do it.

8 The associate -- supposedly, there was an office,

9 but I think that we decided, for other reasons, that that

10 would be fine. I may have been at the residence, and I am

11 not sure how that just was. My memory is a little foggy from

12 fourteen years ago.

13 Q How long had you known Don Turner before you gave him

14 \$10,000.00?

15 A Well, through my readings of the book, I felt that I did

16 know him quite well.

17 But, as far as personally speaking with him, I

18 talked to him a number of times on the phone before I went

19 out there, and I can't really tell you how many times that

20 would have been.

21 Q Did you know Don Turner to be an accountant?

22 A No. No.

23 Q Did he tell you he was an accountant?

24 A No, he didn't.

25 Q You knew, in fact, that he was not an accountant?

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1 A I don't think that I knew that he wasn't, but I didn't

2 think that he was. I can't say that I knew that he wasn't.

3 Q You knew, though, that, or you suspected that Don Turner

4 was also not an attorney?

5 A I did know that he wasn't an attorney, that's correct.

6 Q Before you paid \$10,000.00 to Don Turner, did you

7 discuss this with your CPA back in Meadville,

8 James Scarpitti?

9 A No, I didn't.

10 Q You didn't ask James Scarpitti if this program was

11 something that was legit, something that you should get

12 involved in as a smart businessman? You never mentioned it

13 to James Scarpitti?

14 A No. Well, I mentioned it, but I certainly gave him no

15 details. I was not asking him for any expert advice.

16 FAR had some accountants on the staff or some

17 people that were CPA's that I did talk with. But, no, I

18 didn't talk with Jim about it.

19 Q The CPA that you worked with in your business down here

20 in Meadville that knows your business, that had been

21 preparing your tax returns, you didn't give him the details

22 of the organization called FAR, did you?

23 A No. There would really be not a lot of reason for that

24 at the beginning.

25 Q No reason to discuss an organization that promotes a

D. Leveto - Cross(By Mr. Voracek) 87

1 book called Tax Free to your CPA?

2 There is no reason to get advice from him?

3 A No. As long as I felt that I was getting some expert  
4 advice, and I felt like I was getting that through FAR also.

5 Q Dr. Leveto, I ask you to open up the book, page --  
6 Government Exhibit 43, and I believe there is page with two  
7 little i's on it, is there not, sir?

8 Dr. Leveto, in that part of that book, Tax Free,  
9 How the Super Rich Do It, that's a disclaimer section, isn't  
10 it, sir?

11 A Absolutely, yes.

12 Q And, in fact, I think you referred to it in a document  
13 that you testified to on direct examination, did you not,  
14 sir?

15 A That's correct.

16 Q And I believe you indicated, in a letter in 1992, that  
17 there is a -- that the person -- that the person is advised  
18 that they should contact a professional, an accountant or an  
19 attorney, with regard to this program, correct, sir?

20 A That's if they are using just the book, yes.

21 Q But, sir, you didn't let James Scarpitti know about  
22 this, did you?

23 A No, not about the book.

24 Q How about -- well, how about the tax free program, did  
25 you discuss that with him in detail?

D. Leveto - Cross(By Mr. Voracek) 88

1 A Well, it wasn't a tax free program. But, I didn't  
2 discuss that because I wasn't just extracting from the book  
3 in how to do that.

4 Q All right, Dr. Leveto, I believe I had previously given  
5 you Government Exhibit 71, did I not, sir?

6 A Yes.

7 Q This is the letter in July, 1991, from Don Turner to  
8 yourself, correct, sir?

9 A That's correct. Yes.

10 Q Sir, with regard to the very first paragraph, I ask you  
11 to read the third sentence of the very first paragraph.

12 A Could you say that again?

13 Q The third sentence of the very first paragraph, please.

14 A The verified membership application needs to be signed

15 in front of a notary as it takes the form of a promise not to

16 divulge our trade secrets, credits or other members names.

17 You would also need to send it back to us (make yourself a

18 copy), in parenthesis, along with your seat deposit.

19 Q Now, with regard to that same document, I believe there

20 is a resolution back there. If you go near to the end of

21 that document, sir.

22 A Yes.

23 Q You see the resolution?

24 A Yes.

25 Q Sir, I ask you to read number two on that resolution.

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1 A Number two is:

2 I shall keep as absolutely private the name of each

3 person I believe to be a member of the association, and that

4 I shall keep all fraternal secrets as the private and

5 privileged fraternal secrets of the members and association

6 only, and will not reveal the same to any non-member without

7 the written permission of one of the officers thereof.

8 Q So, sir, you knew that this program, this FAR program,

9 required a certain degree of secrecy, correct?

10 A Yes. As I alluded to, the trade secrets were very

11 tightly held.

12 Q That there is not -- that this isn't a program that is

13 of -- really available to the general public so that we could

14 all -- or that the whole public can also become associated

15 with Tax Free?

16 A Oh, I believe it's available to everyone.

17 Q It's available to everyone if they have how much,

18 \$10,000.00?

19 A Well, it just depends. The book is available to

20 everyone and, going further, it's available to everyone.

21 Q Sir, I ask you -- I have handed you what's been marked

22 as Government Exhibit 73.

23 Do you have that in front of you?

24 A Yes, I do.

25 Q Sir, I believe this is another letter from Don Turner to

D. Leveto - Cross(By Mr. Voracek) 90

1 yourself from August of 1991, correct?

2 A That's correct.

3 Q Sir, I ask you to read the last paragraph of that



4 letter.

5 A Yes.

6 You are reminded not to have more than three months  
7 of Center Company's business records in your possession at  
8 any time, and failure to follow this rule, and to take care  
9 of their business properly could result in your termination.

10 Q So, sir, it is your understanding that in order to be a  
11 member of FAR, you can't keep records for more than three  
12 months, correct?

13 A No. It just says that you can't have them on the  
14 premises. Basically, they were being sent overseas.

15 Q Oh, the records were being sent overseas?

16 A Well, for the most part, I was kind of a little bit  
17 sloppy about that. I kept a lot more records.

18 Q Well, you are familiar with the tax laws in the United  
19 States.

20 Doesn't the Internal Revenue Service require a  
21 business to keep records for well more than three months?

22 A Well, right, this doesn't say that to destroy the  
23 records. The records, there is no requirements in the Code  
24 that says that they have to be stored at the premises.

25 Q But, your records for this business were to be sent away

D. Leveto - Cross(By Mr. Voracek) 91

1 from the United States to the Turks and Caicos Islands?

2 A I viewed that as just a monetary function.

3 Q So, after three months, any records that you have

4 related to that business are now in the Turks and Caicos

5 Islands?

6 A Yes.

7 Q That didn't cause any bells and whistles to go off in

8 your head, Dr. Leveto, that, you know, that perhaps there

9 isn't something quite legitimate about this program where

10 they are asking me to send these business records out of this

11 country?

12 That didn't cause any feelings that this program

13 might be something less than totally legitimate?

14 A Not really, because I felt that that was their key way

15 of monitoring since it wasn't a nuts and bolts monitoring all

16 the other times.

17 Q I think you liked that idea of having the records sent

18 away, did you not, sir?

19 I mean, that was something that you enjoyed, I

20 mean, not having to keep the records here in the United

21 States?

22 A I don't know why I wouldn't enjoy it.

23 Q Didn't you tell Agent Gonzalez that that was kind of

24 nice?

25 A I'm not sure in what context I said it in, but it

D. Leveto - Cross(By Mr. Voracek) 92

1 perhaps could be.

2 Q Sir, I now ask you to look at Government Exhibit 74.

3 Do you have that in front of you?

4 A Yes.

5 Q This is another letter that's written to you in August,

6 1991, by both Don Turner and Paul Harris, the people in

7 charge of First America research, correct, sir?

8 A That is correct.

9 Q And they are welcoming you as a member of First America

10 Research, right?

11 A Yes.

12 Q And as part of First America Research, Don Turner and

13 Paul Harris are providing you with advice and suggestions,

14 correct, sir?

15 A And being a facilitator.

16 Q And being a facilitator for you?

17 A Yes.

18 Q And you entered this agreement with them, correct, sir?

19 A That's correct.

20 Q Sir, you see in the third paragraph there, there is some

21 words written in bold language?

22 A Yes.

23 Q Can you read the bold language?

24 A Sure.

25 We want to take this opportunity to remind you that

D. Leveto - Cross(By Mr. Voracek) 93

1 we are each contractually charged with the responsibilities

2 to keep our trade secrets private credit and our members'

3 identities a secret.

4 Q Now, I believe, Dr. Leveto, you have testified earlier

5 that that part where you are talking about secrets, keeping

6 them private, that that's for trade secrets, correct?

7 A Well, I interpreted it as that pretty much.

8 Q You interpreted it as that pretty much?

9 A Yes.

10 Q Why don't you read the very next line, sir?

11 A I see it. Well, it's keeping not only their trade

12 secrets but other members private as they promised to do with

13 everybody that joined.

14 Q On that document, sir, right underneath the bold part,

15 would you please read the very next sentence?

16 A This is protection for each one of us against the

17 jealous and nosey state.

18 Q The jealous and nosey state?

19 A Yes.

20 Q Now, it doesn't say to protect trade secrets from

21 getting in the hands of our competitors, does it?

22 A Well, the first -- the first bold line certainly implied

23 that. I don't think that there is much doubt about that,

24 trade secrets being important.

25 Q But, the very next line says that, this is protection

D. Leveto - Cross(By Mr. Voracek) 94

1 for us against the jealous and nosey state.

2 Who did you think that Don Turner and Paul Harris

3 were referring to when they used the word "state?"

4 A Well, I am sure they meant just what they said.

5 That's -- you know, whether I interpreted that as an addition

6 to the sentence, or whatever, but that's how I interpreted

7 it. I understand what it says.

8 Q Did you interpret the jealous and nosey state to be

9 United States?

10 A It doesn't say that. It could be included, though.

11 Q Dr. Leveto, when you got that letter, of this program

12 that you paid \$10,000.00 into, there is no red flags at this

13 time popping up, bells and whistles that, you know, these

14 people are telling me to keep this away from the jealous and

15 nosey state, there is no red flags that are popping up

16 saying, Dr. Leveto, wait a minute, is this really a

17 legitimate program? That never entered your mind, sir?

18 A Not really, no.

19 Q That to keep this -- keep these things secret from the

20 state, from the United States, that was all right, you

21 believed all that to be legitimate?

22 A Well, I believed that it was more designed for the

23 sloppy dissemination of things and sloppy discussion of

24 things, and things like that.

25 That is how I always viewed it anyway.

D. Leveto - Cross(By Mr. Voracek) 95

1 Q Dr. Leveto, I'm handing you several more documents,  
2 including Government Exhibit 76.

3 Do you have that in front of you, sir?

4 A Yes.

5 Q Sir, it's a fax from you to Don Turner and Paul Harris?

6 A Yes.

7 Q The first note says:

8 Please note that this fax is now strictly  
9 confidential. Do you see that, sir?

10 A Yes.

11 Q Sir, I ask you to look at Government Exhibit 239.

12 Sir, do you recognize the handwriting on Government  
13 Exhibit 239?

14 A I think it may be mine. I have to tell you that if it's  
15 my handwriting, it's pretty bad. But, I believe it is mine.

16 Q It's your handwriting on this note, Government  
17 Exhibit 239, sir?

18 A I believe so.

19 Q Sir, I ask you to look about half way down Government

20 Exhibit 239.

21 A Yes.

22 Q My reading of this note -- and correct me if I'm

23 wrong -- says, secret P.O. Box.

24 Is that what's written there, sir?

25 A I'm not sure, but it could very well be.

D. Leveto - Cross(By Mr. Voracek) 96

1 Q And right underneath that, it says, my name, and then

2 there is an arrow that goes down and says, in phony name.

3 Do you read that, sir? Is that what that says?

4 A Yes. But, I am not sure what that refers to.

5 Q Secret P.O. Box in phony name?

6 A No. I was saying that that arrow comes from that

7 circle, and I am trying to figure the circle out.

8 Q These are your handwritten notes, are they not, sir?

9 A I can't say for sure, but there is a good chance of it.

10 Q And, sir, just to put this document in context, at the

11 very beginning, I believe that there is three letters. TSB.

12 Do you see that, sir?

13 A Yes.



14 Q Was that a bank account, sir?

15 A Yes.

16 Q In the Channel Islands, sir?

17 A Yes.

18 Q And I believe right underneath that, in pounds. Do you

19 read that, sir?

20 A Yes.

21 Q That's the currency or denomination that they use in the

22 Channel Islands?

23 A I believe so.

24 Q And right underneath that it says, debit card.

25 Do you see that, sir?

D. Leveto - Cross(By Mr. Voracek) 97

1 A Yes.

2 Q Now, to put this whole note in context, we see the words

3 where it says, secret P.O. Box, my name, in phony name.

4 Do you see that, Dr. Leveto?

5 A Like I say, I can't link that. I don't understand what

6 that means at all. The arrow is coming from the right-hand

7 side of what is written there, and I can't read that. It

8 says key, or something, and I can't tell.

9 Q Dr. Leveto, I now ask you to look at document 240, if

10 you have that, sir.

11 A Okay.

12 Q Dr. Leveto, these are more handwritten notes.

13 Do you recognize your handwriting?

14 A I believe this is my handwriting.

15 Q Do you see a line near the beginning, sir -- and correct

16 me if I'm wrong -- where it says, L. Adler, dash, totally

17 secret?

18 A That's correct.

19 Q And, sir, these are notes that you are writing to

20 yourself, I believe?

21 A Right.

22 Q And that's, in part, of implementing this program that

23 you just became involved with, this FAR program?

24 A I believe that was implementing something about the fax

25 and it may relate back to the fax notification, that it was

D. Leveto - Cross(By Mr. Voracek) 98

1 secure or something. I'm not really sure.

2 Q Well, wasn't L. Adler to be totally secret?

3 A Well, I don't have any reason to believe that it

4 wouldn't have been.

5 Q Well, I mean, did the other employees at the vet clinic,

6 did they know anything about Leonard Adler?

7 A Very little.

8 Q Did they know anything?

9 A Well, Karen sent a postcard one time for testing mail

10 speed, things like that. So, they heard the name, but they

11 didn't know anything about it.

12 Q Well, you had a stamp there with Leonard Adler's

13 signature on it?

14 A That's correct.

15 Q At the vet clinic?

16 A That's correct.

17 Q Did anybody else at the vet clinic ever see that stamp?

18 A I don't believe so.

19 Q Dr. Leveto, I ask you to look at Government Exhibit 255.

20 Do you have that, sir?

21 A Yes, I do.

22 Q Sir, again, this is your handwriting?

23 A I believe it is, yes.

24 Q Sir, the very first part of Government Exhibit 255

25 begins, money, Channel Islands. Do you read that, sir?

D. Leveto - Cross(By Mr. Voracek) 99

1 A That's correct, yes.

2 Q These are -- again, these are notes that I believe that

3 you are writing to yourself with regard to the FAR program?

4 A I believe so, yes.

5 Q And I believe, if we go down to number two, number two

6 says Leonard Adler. Do you see that, sir?

7 A Yes

8 Q Down the page a little bit, it says Box Elder, by number

9 three?

10 A Yes.

11 Q Can you read for us what you have written there beside

12 number three, Box Elder?

13 A Box Elder, you have really no association with Box

14 Elder, only that they gave you capacity to use the money. No

15 one is to know about Box Elder.

16 Q Sir, you were instructed not to tell anybody about Box

17 Elder, correct?

18 A Right. But, it was more in the realm of not telling

19 anyone about the development of the trade secrets. I would

20 not have any reason -- I mean, you saw wires were open and

21 everything was done openly.

22 Q All this was open, is that your testimony, Dr. Leveto?

23 I mean, I thought one of the directions from

24 Paul Harris and Don Turner was to keep it secret from the

25 jealous and nosey state?

D. Leveto - Cross(By Mr. Voracek) 100

1 A Well, I conducted my affairs out in the open and I

2 really think that part of their secret part was a value-added

3 approach to you having something nobody else did because you

4 paid quite a lot of money for it.

5 I think there was a little marketing acumen

6 involved in that.

7 Q Dr. Leveto, we're going to go back to you joining the

8 program, the FAR program, and I believe as part of you

9 becoming a member of the FAR program, you sold your business

10 to an entity called Center Company, correct, sir?

11 A Essentially, yes.

12 Q And that would have been in -- well, let me get you that

13 document, sir.

14 Now, Dr. Leveto, we hand you Government Exhibit 92.

15 Do you have that, sir?

16 A Yes, I do. I'm just checking it out, checking the back

17 side of it out. Yes.

18 Q Now, sir, when you sold your business to this entity

19 called Center Company, was there an actual closing where the

20 buyer was present?

21 A No, there wasn't.

22 Q So, you didn't sit down in some attorney's office and

23 exchange documents back and forth and money back and forth?

24 A No, we didn't.

25 Q And I believe there was never any money provided to you

D. Leveto - Cross(By Mr. Voracek) 101

1 by the buyer at the time of sale, was there?

2 A As far as a downpayment went?

3 Q Yes.

4 A No.

5 Q Now, sir, I believe you testified that a Russ Schetroma

6 was involved in assisting you in preparing that document,

7 sir?

8 A Yes.

9 Q Dr. Leveto, I've handed you what has been marked as  
10 Government Exhibit 115. Do you have that?

11 A Yes, I do.

12 Q Do you recognize that document, sir?

13 A It's apparently a letter I received from Russ in  
14 September of 1992.

15 Q In September of 1992?

16 A Yes.

17 Q And this was probably about a year after the sale  
18 happened in October, 1991?

19 A Evidently, yes.

20 MR. VORACEK: Your Honor, the United States moves  
21 for the admission of Government Exhibit 115.

22 THE COURT: 115 is admitted.

23 Q Sir, and in looking at that letter, direct your  
24 attention to the very last page of Government Exhibit 115.

25 Do you see the third paragraph on that page, sir,

D. Leveto - Cross(By Mr. Voracek) 102

1 where it says, "on a parting note"?

2 A Yes.

3 Q Now, this letter is from your attorney to you, the  
4 attorney that you say helped you with this sale.

5 Could you please read the third paragraph?

6 A On a parting note, I must again remind you that our file  
7 concerning your dealings with Denver and Center ends with the  
8 submission of unsigned draft documents for your attention.  
9 We have no evidence of the conclusion of any relationship  
10 between you and Center or of any closing documentation. You  
11 should have your new counsel immediately review such matters  
12 to be certain that he or she is comfortable with the  
13 relationship and documentation and is in a position to  
14 protect your interests as may be necessary.

15 Q So, Dr. Leveto, looking at the second sentence there:

16 We have no evidence of the conclusion of any  
17 relationship between you and Center or of any closing  
18 documentation.

19 But, Dr. Leveto, I assume that Mr. Schetroma is  
20 referring to your sale of the business to Center Company, is  
21 he not?

22 A That's correct. And I believe we finished it up with  
23 Cohen & Grigsby, but I am not sure. I don't really remember



24 this letter, to tell you the truth.

25 We had difficulties with the overall bill. I do

D. Leveto - Cross(By Mr. Voracek) 103

1 remember the difficulties, but I don't remember the specifics

2 of this letter.

3 Q Now, after the sale of the veterinary clinic, you still

4 ran the business?

5 A I was the general manager, yes.

6 Q And I say the word "sale."

7 I believe that when you discussed -- after this

8 happened with Center Company, I believe you had a meeting

9 with your staff, did you not, sir?

10 A Yes, I did.

11 Q And when you discussed with your staff that another

12 business had, I guess, purchased the clinic, I believe we saw

13 Millie Custard, who was an employee of yours, testify that

14 when you said the word "sale," that you put your hands up in

15 quotations. Do you recall that testimony, sir?

16 A Absolutely not.

17 Q You don't recall that?

18 A I don't remember putting my hands up in the air and

19 putting quotations up.

20 Q Do you recall doing that when you told your staff that

21 there was a sale a, quote, sale of the business?

22 A I don't know why I would have done that, no.

23 Q Well, you said -- I think you said on direct examination

24 that you wanted to allay people's fears, did you not?

25 A Sure.

D. Leveto - Cross(By Mr. Voracek) 104

1 Q You wanted to let them know that, in fact, hey, you are

2 still the man in charge of the business, right?

3 A Well, I at least laid out the fact that I would be the

4 general manager to try to allay their fears.

5 Q With regard to the operation of the veterinary practice,

6 nothing changed, other than the name, right, sir?

7 A No, that is incorrect.

8 Q Well, did you still do all the hiring and firing?

9 A Yes, I did do that.

10 Q Did you still set the office policies, the time, the

11 services to provide?

12 A Well, sometimes that was done in conjunction with

13 talking to Mr. Edwards.

14 Q The person, the -- is this in the -- in the Turks and

15 Caicos Islands?

16 A Right.

17 Q You weren't dealing with Jack Williams, the taxi driver,

18 you were dealing with his attorney?

19 A Well, that was his attorney, right.

20 Q But, as far as if any dispute arose among employees,

21 your employees, they would go to you, wouldn't they?

22 A Sure.

23 Q They weren't going to the fellow in the Turks and Caicos

24 Islands?

25 A Right.

D. Leveto - Cross(By Mr. Voracek) 105

1 Q And I think you basically told the people at the staff

2 meeting that nothing is going to change here in the business,

3 right?

4 A Functionally nothing for them would change.

5 Q That the whole business would still firmly be in your

6 control?

7 A Well, I don't believe that I had a reason to tell them

8 that. I would tell them, though, that for their own -- you  
9 know, for their own standpoint where they would be concerned,  
10 as would be natural.

11 Q Dr. Leveto, earlier we talked a little bit about  
12 ownership and control.

13 Is it your position that you can control something  
14 without owning it?

15 A Yes.

16 Q And is it your contention that, and I think maybe in the  
17 discussions that you had with Agent Gonzalez, that you  
18 likened it to a lease of an automobile.

19 Do you recall that, sir?

20 A I may have. Yeah, I may have likened it to that.

21 Q That you can control the business of driving a vehicle  
22 without actually owning it?

23 A I am not sure -- I believe that I may have used that  
24 analogy in a certain context, but I am not sure.

25 Q Well, would you also say that at this time then that you

D. Leveto - Cross(By Mr. Voracek) 106

1 controlled the business, the veterinary practice, but didn't

2 actually own it?

3 A That's -- yeah, that's my position.

4 Q What about the money? What about the money that the

5 veterinary practice brought in? Would you also say that you

6 controlled the money and enjoyed the benefit from the money

7 but didn't actually own the money?

8 A No. I enjoyed the benefit of the monies that I would

9 get paid from the amortization. I had other benefits that I

10 could have but, yes, there is no doubt that I enjoyed and

11 benefitted from the money.

12 Q You had set up a couple of bank accounts in the name of

13 Center Company, correct?

14 A Yes.

15 Q One was the Operating Account where you put all the

16 business receipts in and paid all the expense out of,

17 correct?

18 A Yes.

19 Q But, you also set up another Center Company account, the

20 Holding or the Freedom Account, correct?

21 A There may have been two or three more.

22 Q But, there was definitely a Holding and Freedom Account?

23 A Yes.

24 Q And you directed all of the ins and outs of the Center

25 Company bank accounts, correct, sir?

D. Leveto - Cross(By Mr. Voracek) 107

1 A Pretty much.

2 Q Pretty much? There was somebody else that also had some

3 directions of the ins and out?

4 A No. I did it so -- sometimes there were discussions

5 with Mr. Edwards, but basically I pretty much controlled it.

6 Q Everything that went in and out of the Center Company

7 bank account, both the Operating Account and the Holding

8 Account, you directed?

9 A Pretty much, yes.

10 Q Now, would you say, sir, that the control of the money

11 is obviously an important factor to have benefit over it?

12 Would you say that the ownership over the money is

13 a significant factor in your mind, who is actually considered

14 the owner of the money?

15 A Could be, sure.

16 Q And one way that that's important is when it comes down

17 to taxes, is it not, sir?

18 A Sure.

19 Q That it's the owner that has to report the business,  
20 right?

21 A Yes.

22 Q So you can control everything. You can control  
23 everything about the business. You can control all the  
24 money.

25 But, if you say that your business is in another

D. Leveto - Cross(By Mr. Voracek) 108

1 name, you can back out of your obligation to report the  
2 profit?

3 A No, that is not correct.

4 Q Isn't that what happened here, sir?

5 A No. For the money that I actually had the benefit of,  
6 as far as controlling it, that was a managerial position that  
7 I could control it. There are many financial people that  
8 can't control money and still they derive benefit from pay or  
9 other benefits they get from the company.

10 Q Well, sir, you became involved in this program in  
11 August, 1991. The sale, the transfer occurred in October,  
12 1991, correct?

13 A I believe that that's when the final agreement was  
14 finished. It was memorialized in October of '91, but I  
15 believe that it was memorialized in the agreement from before  
16 that. I am not just sure, but that's documented somewhere.

17 Q Sir, I think when we looked at your tax return from 1990  
18 before this happened, we came up with a total tax amount of  
19 \$30,000.00, is that right?

20 A I believe that's right.

21 Q Let's look at Government Exhibit 1-D-1, sir, your 1992  
22 tax return. Do you have that, sir?

23 A Yes, I do.

24 Q Now, for the 1992 year, now you are involved in the FAR  
25 program, correct?

D. Leveto - Cross(By Mr. Voracek) 109

1 A Now I sold the business.

2 Q Okay. What was the amount of business income that you  
3 reported on your tax return for 1992?

4 Did you report any on line twelve?

5 A I don't believe so, no. No, there wasn't any on there.

6 Q Sir, in 1992, going to the second page, what was your



7 tax liability? On page -- on the second page under line 53.

8 A Total tax, \$4,050.00.

9 Q So now, sir, as someone who is still in control of the  
10 veterinary practice in 1992, that still controls the  
11 business, that still controls the bank accounts, that still  
12 controls the money, you have enabled yourself to reduce your  
13 tax liability from almost \$30,000.00 to about \$4,000.00 by  
14 virtue of getting involved in the FAR program?

15 Is that a fair statement, sir?

16 A Well, it's a little bit biased toward the government's  
17 theory here. The business was sold and changes occurred  
18 because of that.

19 Q Sir, with regard to the veterinary practice, I believe  
20 you testified that, you know, after it was sold to Center  
21 Company, that you didn't have to report the business income,  
22 the expenses anymore on your tax return, correct?

23 A That's pretty much correct, yes.

24 Q That now another entity, Center Company, was going to  
25 report everything from the veterinary practice? True, sir?

D. Leveto - Cross(By Mr. Voracek) 110

1 A I believe so, yes.

2 Q Sir, I hand you what's been marked as Government

3 Exhibit 153. Do you have that in front of you?

4 A Yes, I do.

5 Q That's a tax organizer, sir?

6 A Yes.

7 Q Sir, and I believe that you signed this document, did

8 you not, Daniel Leveto?

9 A Yes, I did.

10 Q And, sir, in this tax organizer, I believe what we are

11 doing is, we are telling Center Company -- we are giving

12 Center Company some information for them to report on their

13 tax return, correct?

14 A Ultimately, yes. I think that this is the intermediary

15 company, Global Scope, so I have to assume, yes. Right.

16 Q Sir, I ask you to look at the second page of that

17 document.

18 A Yes.

19 Q And let's go down to the net income, all sources line.

20 Do you see that sir?

21 A Yes.

22 Q And what's the amount that's printed there?

23 A \$14,276.00.

24 Q Sir, did that money, that \$14,276.00, was it your

25 responsibility to send that away from Meadville to a foreign

D. Leveto - Cross(By Mr. Voracek) 111

1 area?

2 A Yes, I believe so.

3 Q That was part of the program, that now Center Company

4 was reporting the business income, the business receipts, the

5 business expenses, so it was part of the program for you to

6 send Center Company this amount of net income, correct?

7 A That's correct.

8 Q Sir, I'm going to put on the monitor here, and I believe

9 you will be able to read it in front of you, Government

10 Exhibit 587. Do you see that, Dr. Leveto?

11 A Yes, I can see that.

12 Q Now, the very first part of Government Exhibit 587 shows

13 an amount leaving the Holding Company Account, does it not?

14 A That's correct.

15 Q And the -- and I believe it says \$14,276.00, doesn't it,

16 sir?

17 A That's correct?

18 Q Sir, and that was the amount that you just referred to  
19 as the amount that was to be sent by you with regard to your  
20 business for 1995?

21 A That's correct.

22 Q As part of the program, right, sir?

23 A That's correct.

24 Q Well, sir, it looks like from the chart here that on  
25 April 24th, 1996, Global Scope made a payment of \$14,142.00

D. Leveto - Cross(By Mr. Voracek) 112

1 to Box Elder. Do you see that sir?

2 A Yes.

3 Q And, sir, that's almost the exact amount of the  
4 \$14,276.00 that you previously sent to Global Scope?

5 A Yes.

6 Q Were you aware of that, sir?

7 A Aware of which?

8 Q Aware of the fact that Global Scope was sending the  
9 money that you just sent them to Box Elder?

10 A Well, I believe I would have become aware of it.  
11 Global Scope at that time must have been, as I had pointed

12 out on the chart, the intermediary company.

13 Q Right. And you can control Box Elder, correct?

14 A No, I didn't control Box Elder.

15 Q You have nothing to do with Box Elder, sir?

16 A I have some -- I have some advisory and, like I said,

17 permissive ability to borrow, and things like that, but I

18 don't control it.

19 Q Well, you can make transfers in and out of the Box Elder

20 account, can't you, sir?

21 A If I'm permitted.

22 Q We saw wire transfers and that showing you had that

23 authority right, sir?

24 A Yes, I have that authority.

25 Q Did you think that all of this money was going into this

D. Leveto - Cross(By Mr. Voracek) 113

1 bank account that you had authority over in April, 1996?

2 A Ultimately, I would have expected that.

3 Q You would have expected the money to come back?

4 A Once the return on investments were taken proper

5 companies were refunded, yes.

6 Q And it was to be returned to you, isn't that correct,

7 sir?

8 A No. That depends on what was going to happen. I think

9 I explained that program of either investment or loan or

10 directing money, that's --

11 Q Well, sir, let's look at what, in fact, became of some

12 of those monies.

13 It looks like five days later, on April 29th, 1996,

14 that same account Box Elder of Barclays Bank sent a

15 \$16,000.00 check off to Box Elder PaineWebber, correct, sir?

16 A That is what your chart says. I don't have the pieces

17 of evidence to say that, but I have faith in your charts

18 being correct.

19 Q Well, isn't that how this was supposed to work?

20 A What's that?

21 Q Isn't that how this system was supposed to work, sir,

22 that the amounts that you sent off as part of the business

23 were to eventually come back to the United States?

24 A No. PaineWebber Box Elder was a newer, newer addition

25 that normally wouldn't have been the thing.

1 The program, as I outlined on the chart, there  
2 weren't expectations there. There were only possibilities.

3 Q But, you opened the Box Elder account at PaineWebber,  
4 didn't you?

5 A No, I did not.

6 Q You didn't open that?

7 A No. The testimony was very clear that the opening  
8 documents, I did not open that account. The opening  
9 documents were not -- are not within the exhibits.

10 Q Well, you received bank statements from that account,  
11 didn't you?

12 A That's correct. I did monitor the account.

13 Q You monitored it?

14 A Yes, I did.

15 Q You controlled the ins and outs of that account?

16 A No, I didn't control the ins and outs, but I had some  
17 permissive authority, as I told you, with the other ones.

18 Q So, if you wanted to, you could take monies out of that  
19 account?

20 A No. If I had permission, I could take monies out of  
21 that account if it was for investment purposes or if it was  
22 documented as a loan, or whatever.

23 Q And this happened on more than one occasion, didn't it,  
24 Dr. Leveto, where monies left with regard to the business to  
25 a foreign entity and then later those same monies came back

D. Leveto - Cross(By Mr. Voracek) 115

1 to the United States, correct?

2 A If there was reason for that to happen, yes.

3 I mean, it may have come back to the United States  
4 just for this investment account, or it may have come back as  
5 a loan for me.

6 Q And this is the company, this Center Company, that's  
7 supposed to be a totally separate entity, right?

8 I mean, Center Company isn't you, is it?

9 A Center Company, that that we just talked about, had  
10 really nothing to do with Center Company. They were a  
11 distribution. They were other businesses that held interest  
12 in Center Company.

13 Q Did Center Company ever pay tax on that money?

14 A Did they pay tax on that money right there? I don't  
15 believe --

16 Q Or initial --



17 A I don't believe, because it was a distribution.

18 Q Well, isn't it true, Dr. Leveto, that on all the Center

19 Company tax returns -- well, first of all, you knew that

20 Center Company was preparing NR tax returns reporting your

21 business activity, did you not, sir?

22 A I believe them to be doing that.

23 Q And you know also knew that Center Company wasn't

24 actually paying any tax on any of this income, were they?

25 A Well, that was their choice. They can either distribute

D. Leveto - Cross(By Mr. Voracek) 116

1 it or pay tax on it.

2 Q You knew it was part of the program that Center Company

3 was going to take their profit and distribute it to another

4 foreign entity, correct?

5 A Most likely, yes.

6 Q And that that foreign entity would then report another

7 tax return and that foreign entity would say we don't have to

8 pay tax because we got money from a foreign -- from another

9 foreign company, right?

10 Isn't that how the program is supposed to work?

11 A No. That's oversimplifying. The chart -- there is

12 another company in there. But, essentially you are making it  
13 a dollar that's not effectively connected within the United  
14 States, that is exactly right.

15 Q You are making it --

16 A And it's not the program. It's a series of business  
17 people with a common goal.

18 Q But, the -- but one of the purposes of the FAR program  
19 was to insure that the profit that was made at the veterinary  
20 clinic would be said to be earned by a foreign company  
21 distributed to another foreign company so that no taxes to  
22 the United States would ever be paid?

23 A No, that is really not correct. FAR was only involved  
24 in gathering people together that had similar business  
25 interests. And if I had gone down there and done it myself,

D. Leveto - Cross(By Mr. Voracek) 117

1 I could have found people that were interested in certain  
2 business, too.

3 And, yes, part of it is the tax advantage because  
4 within that jurisdiction, all laws were being followed as  
5 well.

6 Q Sir, I believe in your direct examination --

7 THE COURT: Excuse me. Do you have a lot more?

8 MR. VORACEK: I have about another half hour, Your

9 Honor.

10 THE COURT: Well, why don't we break for lunch

11 then. Our jury's lunch is being brought in today to save

12 some time. So, we'll reconvene at one-thirty.

13 (The jury left the courtroom.)

14 (Court recessed at 12:35 p.m.)

15 (Court reconvened at 1:35 p.m.)

16 THE COURT: Good afternoon. Be seated, please.

17 Okay, Mr. Voracek.

18 MR. VORACEK: Thank you, Your Honor.

19 CROSS-EXAMINATION

20 BY MR. VORACEK:

21 Q Dr. Leveto, you testified earlier concerning a personal

22 note that you had with Center Company. Do you recall that?

23 A Yes, that's correct.

24 Q And I believe it was noted at Government Exhibit 136. I

25 don't know if you have that still up there with you. But, I

1 will put it on the monitor here so you can see it right here,

2 if you don't. Do you see that note, sir?

3 A Yes, I can.

4 Q And the date of that note from April, 1994, sir?

5 A Yes, that's correct.

6 Q And you indicate there that you do have some sort of a

7 loan agreement with Center Company, that you intend to pay

8 them back a certain amount?

9 A That's correct; or cancel it out in another way,

10 depending on the circumstances.

11 Q All right. Dr. Leveto, I am going to hand you what's

12 been marked as Government Exhibit 64-B, as in boy.

13 A Yes.

14 Q Sir, and this is the transcript from your meeting with

15 Agent Gonzalez on November 1st, 1995, correct, sir?

16 A It appears to be, yes.

17 Q Sir, I ask you to turn to page twenty-six of the

18 transcript. Do you have that in front of you, sir?

19 A Yes.

20 Q Sir, I ask you -- on line seventeen on page twenty-six,

21 it says:

22 Dr. Leveto: Second thing -- a second thing, okay,

23 I don't borrow the kind of money I'm living on.

24 Do you see that, sir, where it says that?

25 A That's correct.

Dr. Leveto - Cross(By Mr. Voracek) 119

1 Q And that is a statement that you made in November, 1995?

2 A Absolutely.

3 Q Agent Gonzalez says: Oh, you don't?

4 And then it starts off Dr. Leveto. Can you read

5 line twenty to twenty-four, Dr. Leveto?

6 A Yes.

7 Dr. Leveto: No. Because the colato pays a lot of

8 expenses -- I pass a number of things through the business.

9 Because I get rid of the paperwork, because the colato

10 doesn't allow me to have more than three months of records on

11 the --

12 Q Okay. If you want to continue.

13 A Agent Gonzales: Oh, really?

14 Dr. Leveto: Yeah. They don't allow me to. It's

15 kind of nice.

16 Q It's kind of nice?

17 A Yes. That the colato says after three months, you have  
18 to send your business records offshore.

19 Q You believe that to be kind of nice not to have to keep  
20 those records?

21 A Yes.

22 Q All right. Could you continue on, sir?

23 A Agent Gonzalez: Well, I guess so. I guess that's --

24 I said: Dr. Leveto: But the while thing is, you  
25 know, Uncle Sam comes to me and says, hey, what's with this

D. Leveto - Cross(By Mr. Voracek) 120

1 business? And I say, well, hey, I work for da, da, da, da,  
2 da. Well, you think they're going to go to the Turks and  
3 Caicos Islands and audit them?

4 Q What does Agent Gonzalez say after in response to that?

5 A Mr. Gonzalez: No, that's -- I doubt that. They are not  
6 going to --

7 Q Then how did you respond to that?

8 A Dr. Leveto: You doubt that very strongly.

9 Q Dr. Leveto, I'm handing you a certain set of exhibits  
10 here that I am going to ask you some questions on.

11 I believe in your direct examination you used the

12 word nominee.

13 Are you familiar with that word, sir, nominee?

14 A Yes.

15 Q A nominee, is another word for that an alias, would you

16 say?

17 A I don't know. I guess I'm not that familiar with it. I

18 guess -- it could be in some instance, yes.

19 Q Now, a nominee is a different name other than your own

20 that perhaps you are working for or working through?

21 A Yes.

22 Q All right. And I think you have testified earlier about

23 the names of Box Elder and Leonard Adler.

24 Do you recall that, sir?

25 A Yes.

D. Leveto - Cross(By Mr. Voracek) 121

1 Q Now, sir, we've seen charts in this case with regard to

2 a lot of money. And I believe you testified on direct that

3 it's important to follow the flow of the dollars.

4 Would you say that that was important, sir?

5 A That's correct, yes.

6 Q Sir, and we see that there is a lot of money that's  
7 flowing to Box Elder and Leonard Adler and from Box Elder and  
8 Leonard Adler.

9 Would you say that that is an accurate reflection,  
10 sir?

11 A That's correct, yes.

12 Q And, sir, I will have you look at Government Exhibit  
13 165-A. Do you have that, sir?

14 A Yes.

15 Q Sir, and I don't want to belabor this point, we went  
16 over it the other day, but 165-A is a letter from you to  
17 Barclays Bank, and it's concerning the account, the Box Elder  
18 account, where you were making a request to the Barclays Bank  
19 to do something with regard to Box Elder.

20 I believe in this case, it's to make out a check in  
21 the Box Elder account, correct, sir?

22 A That's correct.

23 Q So and, sir, with regard to the Box Elder account, you  
24 do have a certain amount of control over that bank account,  
25 correct, sir?



1 A Well, as I have said before, I have permissive control.

2 Q Permissive control?

3 Dr. Leveto, I have also handed you what's been

4 marked as Government Exhibit 21A-1.

5 Do you have that in front of you there?

6 A Yes, I have that.

7 Q And 21A-1 is the Box Elder application agreement at

8 PaineWebber. Do you see that, sir?

9 A Yes, I do.

10 Q Sir, for the address of Box Elder as given to

11 PaineWebber, what's reflected there? It's in the very first

12 section? What is Box Elder's address?

13 A The mailing address here is 388 Edgewood Drive.

14 Q And are you familiar with that address?

15 A Yes. That's my address.

16 Q That's your residence?

17 A Yes. I receive statements there.

18 Q And, sir, I ask you, did you sign this application form

19 to take out to open an account in the name of Box Elder at

20 PaineWebber?

21 A No, I did not. This basically is an adjunct to an

22 account that's already opened, as I had explained to you.

23 This is an adjunct for a money market fund. So, it was going

24 to be investment funds.

25 Q Did you sign this document, sir?

D. Leveto - Cross(By Mr. Voracek) 123

1 A Yes, I did. Yes.

2 Q Sir, you don't deny that this Box Elder account at

3 PaineWebber was used to receive funds though from foreign

4 bank accounts?

5 A I don't deny that at all.

6 Q You are in agreement with that, that money is coming

7 back in foreign accounts to the Box Elder PaineWebber

8 account, correct?

9 A That has happened, yes.

10 Q Sir, I ask you now to look at Government Exhibit 180.

11 Do you have that, sir?

12 A Yes.

13 Q Sir, and I believe on the second page, it's reflecting a

14 First Home Banking document located in the Grand Cayman

15 Islands. Do you see that, sir?

16 A Yes.

17 Q Sir, and the name on that is Leonard Adler?

18 A That's correct, yes.

19 Q And you testified you are familiar with that name,

20 Leonard Adler?

21 A Yes.

22 Q The mailing address of Leonard Adler is given as

23 P.O. Box 54, Meadville, correct, sir?

24 A That's correct.

25 Q And you know about P.O. Box 54, don't you?

D. Leveto - Cross(By Mr. Voracek) 124

1 A Yes, I do.

2 Q You directed Karen Jeannerett to open that, didn't you?

3 A Yes.

4 Q In the name of Wayne Co., correct?

5 A That's correct.

6 Q And you opened that P.O. Box in the name of Wayne Co. in

7 order to receive monies from foreign sources, correct, or

8 from foreign banks?

9 A Well, I actually opened it up just to have a domestic

10 colato, opened up a Post Office box, and I added Leonard

11 Adler's name to it because our investment statements would

12 come there.

13 Q But, you determined not to open up the P.O. Box in your

14 own name, didn't you?

15 A That's correct, yes.

16 Q You didn't put it in the name of Dan Leveto, did you?

17 A No. I wanted it in a colato's name or a corporation.

18 Q You wanted it in a different name?

19 A Right.

20 Q Now, this interview sheet here for First Home Banking

21 indicates an occupation for Leonard Adler. Do you see that?

22 A Yes.

23 Q Sir, did you participate in filling out this form?

24 A No, I didn't.

25 Q You had nothing to do -- whatsoever to do with it?

D. Leveto - Cross(By Mr. Voracek) 125

1 A No, I didn't.

2 Q Do you see the occupation that's given for Leonard

3 Adler?

4 A Let me look. I'm sure it's something about investing.

5 Occupation, student in investment training, yes.

6 Q And who is given as the employer?

7 A I am.

8 Q And your address?

9 A 388 Edgewood Drive.

10 Q Well, Dr. Leveto, we have heard from your other  
11 employees regarding Leonard Adler and they testified that  
12 they don't know Leonard Adler.

13 Was Leonard Adler actually an employee of yours?

14 A No. He was just an associate ready to trade with me.

15 Q Sir, and I see a customer's signature stamp here,  
16 do you see that, of Leonard Adler?

17 A Customer signature? What do you see there?

18 Q Do you see the signature of Leonard Adler, sir?

19 A I see it there, yes.

20 Q Sir, did you write that signature on there?

21 A I certainly did not.

22 Q Who wrote that? Who wrote that signature, sir, to the  
23 best of your knowledge? And if you don't know, you don't  
24 know.

25 A I don't know.

1 Q Sir, I now ask you to look at Government Exhibit 222.

2 Do you have that in front of you?

3 A Yes.

4 Q And Government Exhibit 222 is a bank card application  
5 from a bank in the Channel Islands called TSB Bank.

6 Do you see that?

7 A That's correct.

8 Q The applicant, again, is Leonard Adler, correct?

9 A Yes.

10 Q P.O. Box 54, Meadville, Pennsylvania. That is the P.O.  
11 Box that you directed to be opened, right?

12 A Yes.

13 Q And it indicates the home telephone number of Dr. Daniel  
14 Leveto, and that's obviously you, 316 Conneaut Lake Road.

15 Is that your business, sir?

16 A That's correct.

17 Q Sir, this bank account that was opened at TSB Bank, you  
18 got an account at TSB Bank, don't you, in your own name?

19 A That's correct.

20 Q You and your wife?

21 A Yes, sir.

22 Q In that Channel Islands?

23 A Yes.

24 Q Did you fill out this form with regard to Leonard Adler?

25 A Yes, I did.

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1 Q And did you sign Leonard Adler's name on the bottom

2 here, sir?

3 A Yes, I did. I did do that.

4 Q Sir, and with regard to this foreign bank documentation

5 that we have been talking about from Barclays Bank Box Elder,

6 the First Home Banking, Leonard Adler, TSB account, Leonard

7 Adler, with regard to that foreign bank documentation, you

8 don't deny that statements regarding those foreign bank

9 accounts was all found in either your residence or your

10 business as pursuant to the search warrant, sir, correct?

11 A I don't deny what you found. I'm not -- I can't say

12 everything that you found. But, no, I am not denying that at

13 all.

14 Q You did receive statements from those foreign banks in

15 the names of those Leonard Adler Box Elder?

16 A Right.

17 Q Sir, is it your testimony that you didn't use the names  
18 of Box Elder or Box Elder and/or Leonard Adler to move your  
19 money around?

20 Wasn't that your true purpose of using those names,  
21 to conceal your receipt of fund from the federal government?

22 A No, not at all. As a matter of fact --

23 Q That had nothing to do with it, sir?

24 A No. The chart explains it very nicely how it came to  
25 be.

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1 And as far as moving money around, they were --  
2 those companies were part and parcel to what was happening,  
3 but all within the law of that jurisdiction.

4 Q So, you deny emphatically, sir, that you are not one and  
5 the same Box Elder and you are not one and the same Leonard  
6 Adler?

7 A Well, no, I am not. Yes, I do deny it emphatically.

8 Q That even though you filled out an application form on  
9 behalf of Leonard Adler, sent it to the TSB Bank, received



10 all the bank documentation at 388 Edgewood Drive, you deny

11 that you are Leonard Adler?

12 A No, that bank documentations, that account really never

13 went through. There was really nothing that ever happened

14 with that. There was no funding, or anything like that.

15 It was kind of an afterthought when First Home

16 Banking wasn't producing reasonable interest and there was no

17 Leonard Adler account in TSB that was used.

18 Q Now, the names of Box Elder, though, and Leonard Adler,

19 that was all something that was part of the program, part of

20 the FAR program?

21 A Well, they were two different investors, I believe. I

22 am not absolutely sure, but it's -- when you call it the

23 program, they were the contacts. Box Elder was one company

24 and Leonard Adler was at the helm of another one.

25 Q Well, the fact that this program suggests that Leonard

D. Leveto - Cross(By Mr. Voracek) 129

1 Adler and Box Elder be used and that they have foreign bank

2 accounts and that you're to set up an account in the name of

3 Leonard Adler, and that all this foreign bank documentation

4 is to be sent back to you, given all of that information,

5 didn't that raise a red flag in your mind that maybe there is

6 something not quite legitimate about this program, sir?

7 A No. You misstated the facts here.

8 I did not open up a Leonard Adler account. And you

9 said so many things there that could you break that up and we

10 can look a piece at a time at that? I opened up none of

11 these accounts.

12 Q Well, with regard to just you receiving bank

13 documentation from foreign banks on behalf of Box Elder and

14 Leonard Adler --

15 A Yes.

16 Q -- didn't that raise a red flag to you that, why am I

17 receiving this? Why isn't Leonard Adler receiving this

18 information?

19 A No, it raised no red flag at all. The deals and the

20 workings and the negotiations all pointed that they were

21 interested in the same things that I were, commodities

22 trading. And as long as I did and performed certain

23 functions, it was going to help me also.

24 I mean, there was no -- I didn't open the accounts.

25 I am not those companies.

D. Leveto - Cross(By Mr. Voracek) 130

1 Q Now, commodities trading, Dr. Leveto, you are not -- you  
2 have no specialized training in dealing with commodities, do  
3 you?

4 A No. I have taken some seminars and paid for some  
5 courses and had some pretty intense interest in it and the  
6 software development package that was almost completed.

7 Q Now, after August of 19 -- August, October, 1991, when  
8 Center Company came into the picture, and from that point  
9 through 1995, the living standards of you and your family  
10 didn't really change at all from prior to 1991, did it?

11 A It did a little bit, but not very much.

12 Q How did it change, for the worse or the better?

13 A Well, it was -- it was a little bit worse, but really,  
14 really pretty close, except now we were under some debt load.

15 Q Well, I thought we just read where, in 1995, where you  
16 discussed with Agent Gonzalez that you don't borrow money?

17 A Oh no, no. No. I said that all the money I borrow is  
18 not on the notes. We are talking also about the crossing off  
19 of the amortizations, and things like that, and everybody  
20 passing through with a lot of experiences that I couldn't

21 have before as an employer. So, maybe some insurances, and  
22 things like that.

23 But, that statement on that was more along the  
24 lines that I don't borrow everything outright because there  
25 is \$22,000.00 -- or \$24,000.00 a year that is kind of sitting

D. Leveto - Cross(By Mr. Voracek) 131

1 there as a balance or mark off of the amortization versus the  
2 loan.

3 Q Well, you mentioned expenses, Dr. Leveto. Let's talk  
4 about some of the business expenses at the veterinary clinic.

5 I believe we heard testimony from your wife,  
6 Margaret Leveto, that several credit card charges, family  
7 bills, were paid by the business.

8 Do you recall that testimony, sir?

9 A Absolutely. Of course, several of those credit cards  
10 also, though, had drugs on them also.

11 Q I believe we heard from the bookkeeper, Karen  
12 Jeannerett, that she indicated that there were -- seemed  
13 about a dozen different credit card bills that were paid by  
14 the business.

15 A Yes.

16 Q And you don't deny that at least some, if not many, of  
17 those credit card charges that were paid by the business  
18 represent personal payment of personal living expenses, do  
19 you?

20 A That's correct.

21 Q Moving on to a different topic for a minute, Dr. Leveto.

22 We just talked about you opening up a foreign bank  
23 account at the TSB Bank in Channel Islands, correct, sir? I  
24 believe it was both you and your wife's account?

25 A That's correct, yes.

D. Leveto - Cross(By Mr. Voracek) 132

1 Q Now, Dr. Leveto, I believe that with regard to the TSB  
2 Bank account, you made a conscious effort to keep that amount  
3 less than \$10,000.00, didn't you?

4 A Well, that was pretty much -- yeah, that was --

5 Q Why did you do that?

6 A Well, just basically it was a natural thing. It's not  
7 reportable if it is less than \$10,000.00.

8 Q You knew that if more than 10,000 was put into that TSB  
9 Bank account, that you were going to have to check the yes

10 box on your tax return, correct?

11 A That's correct.

12 Q And that at that point, the IRS would become alerted

13 that Dan Leveto has an account in the Channel Islands,

14 correct?

15 A That's correct.

16 Q So, you are well aware of the requirement to check the

17 yes box if you have control over a foreign financial

18 institution?

19 A Absolutely.

20 Q With regard to that TSB Bank account, there was a debit

21 card that the Leveto family had, correct?

22 A Yes.

23 Q And I believe we saw some evidence that that debit card

24 was, in fact, used, and that cash came off of that banking

25 card and went into your wife's bank account, correct?

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1 A I believe that's correct.

2 Q And you knew about that, sir?

3 A Yes, I did.

4 Q And, sir, did you also know that that money that came  
5 from the TSB Bank account and ultimately went into your  
6 wife's bank account was actually sourced to the veterinary  
7 business receipts? Were you aware of that, sir?

8 A Um, I can't say that all of it was. I am sure some of  
9 it was because there were some of the monies in the Holding  
10 Account, and perhaps the escrow account from IRA  
11 distributions that was mixed in, again, due to my sloppy  
12 bookwork in there, was in some of my monies, but there were  
13 certain veterinary receipts in there.

14 Q So, the fact that some of your business income travelled  
15 to the foreign account to the TSB Bank and then came back by  
16 way of a debit card and was deposited into your wife's  
17 account, that didn't raise any red flags or bells and  
18 whistles that maybe there is something illegitimate about  
19 this program working it in this fashion?

20 A TSB really had nothing at all to do with the program.  
21 That was an account that we were testing for the service of  
22 it and the interest of it, and things like that, and that  
23 that was really no different than getting an advance or  
24 getting partial loan monies from the company and going  
25 directly into her account as going over there and seeing what

D. Leveto - Cross(By Mr. Voracek) 134

1 kind of service the bank would give.

2 As you can see, the account wasn't used all that  
3 long.

4 Q I assume that a lot of the family bills are paid out of  
5 your wife's bank account?

6 A Yes, sir.

7 Q Sir, I have a chart that's been introduced as Government  
8 Exhibit 592. I am going to put it up on the screen in front  
9 of you. This is regarding the primary deposits that were  
10 made into your wife's account for a five-year period.

11 Do you see that in front of you, sir?

12 A Yes, I see that.

13 Q It appears that 18,000 came right from the Center  
14 Company Operating Account, 61,000 from the Holding Account,  
15 77,000 from the Langdon and Leveto account, and 16,000 from  
16 the foreign accounts, were all deposited into your wife's  
17 bank account during that period.

18 Does that sound correct, Dr. Leveto? Were you  
19 aware of that?



20 A Oh, I am sure I was aware of it. That was all included

21 in the personal monies that we would be talking about. I

22 mean, the -- I mean, as far as the sources for the amount of

23 each of those numbers, I have to take your summary chart on

24 faith.

25 Q But, you were aware that there were sums of funds from

D. Leveto - Cross(By Mr. Voracek) 135

1 these entities going to your wife to pay the family business?

2 A Oh, absolutely.

3 Q And, Dr. Leveto, we talked just briefly about the Center

4 Company Holding Account. Do you recall that, sir?

5 A Yes, I do.

6 Q And that you have authority over that account, correct?

7 A Yes. And I don't know if that is the same account or

8 two accounts that -- there was a Freedom Account and I

9 believe there was a Holding Account.

10 So, I guess that's the compilation of the two. I

11 believe that's two accounts right there.

12 Q All right.

13 A Doesn't make much difference.

14 Q But, the purpose of the Center Company Freedom/Holding

15 Account was not to handle the day-to-day business of the

16 veterinary practice, was it?

17 A No. That was the operating account's job.

18 Q That was the Operating Account. This is a separate

19 account?

20 A Correct.

21 Q This account -- it appears this account's job was to

22 receive monies and then to send monies out as if it was a

23 pass-through account, correct?

24 A I can't say that for sure. You can zoom back from that

25 and we can look, because between Peltec and all of these

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1 different companies, it was very difficult for me to remember

2 the details here. I believe that it was some type of -- when

3 we say Holding Account, obviously it's in name only.

4 When we talk about a pass-through account, probably

5 it was an account to do other things with money, other than

6 the Operating Account strictly the veterinary business.

7 So, I am not sure -- to tell you the truth, I am

8 not just sure what the function of it was, but I believe it

9 was just another account.

10 Q But, you set the account up, didn't you?

11 A Yes. But, I think it was set up at the time that we

12 were processing credit cards heavily and programs for Peltec

13 Publishing, just some things that I don't remember the

14 details now.

15 Q And just looking at this chart very briefly, sir, it

16 appears that it looks like over half a million dollars was

17 put into this account for that five-year period, correct?

18 Does that sound about right?

19 A I can't tell you. I mean, that certainly could well be.

20 Q Well, sir, if we look at the other end of it and where

21 the monies went out, sir, we see \$110,000.00 going to Jack

22 Carl Futures and that's for investment, correct, sir?

23 A Yes. That was where most of my trading research was at.

24 Q And we see 61,000 going to Margaret Leveto. Do you see

25 that, sir?

D. Leveto - Cross(By Mr. Voracek) 137

1 A I believe so. Is this 1991 to '95?

2 Q Yes, it is, sir.

3 A Okay. Yes, it could be.

4 Q And we see over a quarter of a million dollars going to

5 PennBank Integra. Do you see that, sir?

6 A Yes.

7 Q Sir, was that for the purchase of money orders or

8 cashier's checks in part, do you recall?

9 A I would have to think that. Some of it was because

10 these were -- you know, '94 and '95 was the time that I was

11 purchasing and refurbishing and working with aircraft, too,

12 so that makes quite a large difference in perhaps the

13 cashier's check.

14 I can't say that all of that money was cashier's

15 checks, but I am just saying it could be. A good part of it

16 could be.

17 Q So, sir, some of the monies that have gone into the

18 Holding Account went for a cashier's check to purchase an

19 aircraft, correct?

20 A Absolutely, yes.

21 Q And, sir, we have heard some testimony that the aircraft

22 was used by you to take your child to school to go to Cape

23 May. Are you in agreement with that, sir?

24 A Yes, that was part of the use. All in acquiring hours.

25 Q Sir, turning to a different topic. I hand you a couple

D. Leveto - Cross(By Mr. Voracek) 138

1 of documents.

2 Sir, during 1991 through 1995, Center Company was  
3 involved in the sale of some real estate, were they not?

4 A That's correct.

5 Q And this real estate concerned a parcel of land that I  
6 believe was owned by you or your family?

7 A It was owned by my parents, yes.

8 Q Now, sir, prior to the actual consummation of the sale,  
9 is it correct to say that Center Company became the owner for  
10 purposes of the sale?

11 A Would you state that again?

12 Q Well, you just said that land was sold that was owned by  
13 either you or your family, correct?

14 A Um-hum.

15 Q And was this the sale that was made to M.C.F. Land and  
16 Robert Meyer? It was the same land?

17 A I believe that was one of them. I think there may have  
18 been a couple of sales.

19 Q Well, prior to the actual closing date, where the land

20 transferred over to M.C.F., did Center Company become the  
21 owner of that property?

22 A Oh, no. No.

23 Q Well, did Center Company actually enter or sign the sale  
24 documents selling the land to M.C.F.?

25 A They may have in an optioner's type of agreement. They

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1 never -- there were complications with owning property with a  
2 colato in this country. So, upon research, I believe people  
3 at Cohen & Grigsby said that that was going to be very  
4 complicated and they would be better off buying the option,  
5 and basically they bought the option from me.

6 Q Sir, I have handed you what's been marked as Government  
7 Exhibit 357. Do you see that in front of you, sir?

8 A Yes.

9 Q And, sir, is that the letter from Cohen & Grigsby  
10 regarding this land sale that we are talking about?

11 A I believe that's correct.

12 MR. VORACEK: Your Honor, the United States moves  
13 for admission of Government Exhibit 357.

14 THE COURT: This is a letter from Cohen & Grigsby?

15 MR. VORACEK: Yes, it is, Your Honor.

16 THE COURT: 357 is admitted.

17 Q Dr. Leveto, Cohen & Grigsby has written you a letter,

18 correct?

19 A That's correct.

20 Q And the second paragraph of the letter says:

21 As Russ explained to you -- I assume that is Russ

22 Schetroma, another attorney for you, correct?

23 A That's correct.

24 Q Can you read that full second paragraph for us, sir?

25 A As Russ explained to you, both of our firms are happy to

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1 be involved with your real state transaction. However, you

2 must be aware that the transaction currently contemplated by

3 you is of a complex nature with uncertain tax consequences.

4 Q Okay. And now this, again, sir, is apparently with

5 regard to the Center Company real estate transaction I

6 believe the heading on this document is?

7 A Right. It regarded an option and ramification of an

8 option, yes.

9 Q So, Center Company is really being seen as the seller of  
10 this land for legal purposes?

11 A Well, I don't believe so. See, that was the catch. The  
12 catch was that they really couldn't own the property. So, if  
13 it was an immediate assignment, I believe it was an  
14 assignment of the option to the people purchasing and then  
15 they purchased the property.

16 So, Center Company never purchased or never even  
17 had anything connected with the property other than the  
18 option. I believe that's what it was.

19 Q Could you read the very last paragraph on the first page  
20 here?

21 A While our firms have been requested to handle the  
22 documentation of the transfer, you have specifically  
23 instructed both of us not to render advice on the tax  
24 implications of the transaction. Accordingly, we render no  
25 opinion on the federal income, estate or gift, state, or

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1 other tax issues associated with this transaction; however,  
2 we urge you to contact your tax advisor to determine the



3 appropriate tax treatment.

4 Q And that, I believe, letter is signed by William Taxay,

5 an individual who, I believe, works at the law firm of

6 Cohen & Grigsby?

7 A That appears to be, yes.

8 Q Sir, is that paragraph there that you just read, is that

9 an accurate reflection of what you told Cohen & Grigsby or

10 what you didn't tell Cohen & Grigsby?

11 A I am not so sure what you mean.

12 Q Well, let's look at the very first sentence of that last

13 paragraph.

14 You have specifically instructed both of us not to

15 render advice on the tax implications of this transaction.

16 Did you do that, sir, or did Cohen & Grigsby get

17 this wrong?

18 A I have no idea. I have no idea. I believe that since

19 it was an unincorporated business organization and this was

20 just a very rapid and, by paper, transaction of the option,

21 they didn't really know -- and they really didn't know. They

22 felt it was okay, as far as the foreigner was not owning the

23 real estate, and they couldn't go any further than that, as

24 he goes to say, estate or gift, state, or other tax issues.

25 So, it really sounds like a disclaimer in here in a

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1 general nature.

2 Q But, you don't recall specifically, sir, whether or not

3 you specifically instructed this law firm not to give you any

4 advice on tax implications of the transaction?

5 A I have no idea on this particular thing. This may have

6 even conduited through Russ and it may have come back from

7 Taxay from something Russ had told him. So, I am not sure.

8 Q Dr. Leveto, let's move on. The sale of the land was, in

9 fact, consummated, was it not?

10 A That's correct.

11 Q M.C.F. purchased the land, didn't they?

12 A Yes.

13 Q And at closing of this land sale, some federal tax was

14 withheld, was it not?

15 A That's correct.

16 Q And I believe it's called something with an acronym of

17 FERPTA(Sp), a FERPTA tax, correct, sir?

18 A I really don't know.

19 Q Well, sir, did you recall -- do you recall an instance

20 where, because Center Company is a foreign entity that has

21 sold real property in the United States, that tax at, I

22 think, 10 percent of the sale price has to be withheld at the

23 time of closing?

24 Does that sound -- does that refresh your

25 recollection of what happened, sir?

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1 A There is some type of withholding with a foreigner in a

2 transaction. This transaction, I don't believe, was supposed

3 to have a foreigner owning property or selling any property,

4 and I believe that's an important distinction in what I was

5 told back then.

6 But, I am not -- to the best of my recollection,

7 that's true.

8 Q Sir, I direct your attention to Government Exhibit 128.

9 Do you have that in front of you?

10 A Yes.

11 Q And, sir, Government Exhibit 128 is a letter that was

12 sent to you from an associate or a member of FAR, correct,

13 back in December, 1993?

14 A It looks like it, yes.

15 Q It says:

16 Dear Dan Leveto, I just returned from Grand Turk  
17 and am happy to inform you that the tax refund was waiting  
18 for me there. Do you see that, sir?

19 A That's correct.

20 Q Sir, the tax refund that was waiting for him is, in  
21 fact, the tax refund that pertains to all the tax that was  
22 withheld on that land transaction, was it not, Dr. Leveto?

23 I mean, look at the very second page. Do you see  
24 that, sir? It's a Form 1099. Do you have that in front of  
25 you?

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1 A Yes

2 Q And it's proceeds from a real estate transaction,  
3 correct?

4 A Yes.

5 Q And the transfers and the seller's name is Center  
6 Company, Turks and Caicos Islands, correct?

7 A Yes.

8 Q And that land that was sold was subdivisions in the

9 Vernon Township, Crawford County, Pennsylvania, that pertains

10 to the land that was owned by either you or your family at

11 one time, wasn't it?

12 A Oh, okay. We are talking about two totally different

13 transactions here.

14 Q Okay.

15 A The other thing we were speaking of was our old

16 homestead out on 322 and that was an option type of thing.

17 Okay?

18 I am not sure if this was done through option or

19 not, but this was something very close to the practice that

20 this was withheld.

21 Q But, Dr. Leveto, do you deny that your family or you had

22 an interest in this property at one time?

23 A Oh, yes. I mean, I don't deny that.

24 Q And that Center Company entered into a real estate

25 transaction selling that property, correct?

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1 A That's correct, yes.

2 Q And that there was tax that was withheld from that

3 transaction, correct?

4 A That's correct. My understanding was that there is

5 always that tax held regardless of the tax status of the

6 company at the year end. It's a reconciliation at year end.

7 Q And that this tax that was withheld was refunded to you,

8 was it not, sir? It was sent back to you?

9 A I don't believe it was sent back to me. I believe that

10 it was sent to Center Company, and -- as it should have been,

11 and I am sure that is what it was.

12 It probably would have gone to be included and gone

13 by the way of the movements of other funds that they had

14 gotten in a profit sense.

15 Q Well, according to Government Exhibit 128, the letter

16 that was dated December 3rd, 1993, the face amount of the

17 refund was \$15,582.00, correct?

18 A Yes, that's correct.

19 Q And, sir, I'll have you look at Government Exhibit 584.

20 It's a chart. I don't have it in front of you, but I will

21 put it on the monitor so that you can see it, sir.

22 It says that there was a check or a transfer made

23 out of Barclays Bank, Vericon Bank account, in March of 1994

24 in the amount of \$15,500.00. Do you see that?

25 A Yes

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1 Q And do you see that amount being sent to Barclays Bank

2 Box Elder, and that approximately three weeks later a check

3 in the amount of almost five -- \$15,000.00 went to the

4 Holding Account, correct, sir?

5 A Yes, that's what the chart says.

6 Q Does the chart reflect that this tax refund ultimately

7 came back to the Holding Account?

8 A I am not sure if that was the same funds or not. There

9 is really not a way for me to know that. There is no doubt

10 that what the chart says here that amount of money came back,

11 but I am not so sure if that was the whole balance or what it

12 was, or that was a single time loan and that amount came out.

13 I can't tell that.

14 Q Well, should that tax refund have come back to Center

15 Company?

16 A No. No. The tax refund went to Center Company in the

17 Turks and Caicos Islands. The tax refund certainly would

18 have been distributed and would have ended up in Box Elder,

19 there is no doubt about that, probably through Vericon or  
20 Newbury or ASTCO, or whatever, whoever the intermediary was  
21 at the time.

22 So, yes, that certainly was by design. Yes. But,  
23 I can't tell balances from your flow charts. Your flow  
24 charts only tell so much.

25 Q Sir, I just have a small amount left here.

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1 Sir, I believe in your direct examination this  
2 morning you talked about how, in 1997, you zeroed out your  
3 1040 tax returns for the prior years, correct?

4 A Yes.

5 Q And I believe you said that in or about 1997 that you  
6 believed, I guess, based on something that you read that you  
7 are not required to report income anymore to the federal  
8 government and pay taxes on income, is that --

9 A At that time, I had gone to an Irwin Schiff seminar in  
10 Las Vegas, Nevada, and I had acquired quite a lot of research  
11 to that degree.

12 At that time, when I filed those, that's basically



13 what I believed, that attachment was made by him and that is

14 what I believed regarding my personal return.

15 Q In that seminar that you went to, Irwin Schiff, you were

16 told that basically that the federal income tax laws are

17 illegal?

18 A No, I wasn't told that at all. I believe that the

19 federal income tax laws are just what they are. I believe

20 they are being implemented improperly, but I certainly don't

21 believe they are illegal.

22 Q Well, do you know that Mr. Schiff went to jail for tax

23 fraud?

24 A Yes, I am aware of that.

25 Q Dr. Leveto, how about the writer of that book, Donald

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1 Turner, do you know much about his background, sir?

2 A He's very forthright with his background in the book.

3 Q Does he mention that he was ever convicted, sir?

4 A Absolutely. He spells it out very, very clearly and

5 within the book, yes.

6 Q What was Donald Turner convicted of, sir?

7 A I am not -- I don't think I can recollect that now.

8 Q Was it a --

9 A Certainly had something to do with taxes or churches, or

10 something, but I am not -- I don't believe that it was --

11 Q So, the author of the book, Government Exhibit 43 --

12 A Yes.

13 Q -- was convicted of a tax offense against the United

14 States?

15 A I am not so sure if it was a tax offense, but I believe

16 it was. I'm not sure.

17 Q And you believe that he may have been?

18 A Yes. Yes. I mean, he didn't make any bones about

19 talking about his past.

20 Q And yet, Dr. Leveto, it's your testimony, I guess, that

21 even though an individual who got a history of being

22 convicted, possibly for tax offense, that you should and

23 could rely on such an individual preparing such a book that

24 states, you know, how to stop paying taxes like the super

25 rich?

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1 A Well, this book is a work with research in it and I

2 don't take anything for face value, including from Irwin

3 Schiff, unless I do my own due diligence.

4 So, through history, from Christ to Galileo, many,

5 many people went to jail. It doesn't necessarily mean that

6 they did something wrong.

7 Q No. But, Dr. Leveto, you're a smart individual. You

8 have an accountant working for you at the time, correct?

9 A Well, he was working on a very limited basis.

10 Q Well, you have a CPA in the area, Jim Scarpitti, that

11 you could go to for advice from time to time, couldn't you?

12 A Absolutely.

13 Q Well, when this book first popped up on your radar

14 screen and you saw it and you started thinking about getting

15 involved in this program, did you walk down the street and

16 discuss it with CPA Jim Scarpitti?

17 A No. I really discussed it with other counsel and other

18 accountants that were more aware of it and there were names

19 of those that were made available.

20 Many times if one wanted to allow their counsel or

21 their accountant to become educated, you know, it may take

22 months and a lot of work before they can really get a grasp

23 on things or understand things.

24 So, no, I didn't do that with my own accountant.

25 Q How about your attorney, Russ Schetroma?

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1 A Russell, I did give the book to and I think it's in the  
2 government's evidence that he did sign a non-disclosure  
3 document which I know really bothered him a lot, but he made  
4 enough fill-ins on it and put things in between the lines to  
5 satisfy him. He had the book for quite a long time and he  
6 ended up telling me at one meeting that he really, really  
7 just doesn't have the time, and that was it.

8 So, that was another thing that I think inspired me  
9 to say I better go to some people that are recommended that  
10 know about it.

11 Q So, in other words, you didn't get any advice from  
12 either your accountant, Jim Scarpitti, or your attorney,  
13 Russell Schetroma, regarding the propriety of you entering  
14 into the FAR program?

15 A That's exactly right. I sought professionals that knew  
16 more about it already.

17 Q And you also relied upon Don Turner, himself, who wrote

18 the book?

19 A To a degree, yes. Like I say, the book is a research

20 reference that it takes you to the books and to what you can

21 do. You must do kind of your own due diligence.

22 Q Well, sir, Jim Scarpitti was preparing your tax returns

23 throughout the 1980's, was he not?

24 A I believe I may have started with Powers(Sp) in

25 Meadville and Jim came probably '86 or '87. I am not sure

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1 just when he did my first work.

2 Q Well, did Mr. Scarpitti prepare the Leveto family 1991

3 tax return?

4 A I am sure he did, yes.

5 Q Sir, I direct your attention to Government

6 Exhibit 1-C-2. And this is an Amended U.S. Income Tax Return

7 for 1991, is it not, Dr. Leveto?

8 A That's correct.

9 Q And, Dr. Leveto, if we look at that return, I believe

10 all income and all other items that were on your return were

11 zeroed out, correct?

12 A That's correct.

13 Q And I believe at the end of the line that you were  
14 requesting a refund from the United States of \$30,559.00,  
15 correct, sir?

16 A That was what was written there, yes.

17 Q And, sir, I note that there is no preparer noticed on  
18 Government Exhibit 1-C-1, correct?

19 A That's correct.

20 Q You prepared this return yourself, right?

21 A Yes.

22 Q So, even though Mr. Scarpitti prepared the first 1991  
23 return based on his review of the Leveto family finances, you  
24 didn't go to Mr. Scarpitti to ask him to amend your return,  
25 did you?

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1 A No, I didn't.

2 Q Why didn't you?

3 A Well, I think I explained that. I had developed some  
4 knowledge on my own based on some of what I had spoken about  
5 in that letter today, the seminar I had gone to in Las Vegas  
6 and the research. I think that this should have had an

7 amendment as a part of it explaining it more.

8 But, I explained that to you.

9 Q Well, sir, when you read this material on your own, did

10 you go walking with that material down to Mr. Scarpitti's

11 office and sit down with him and say, Mr. Scarpitti, you got

12 it all wrong, we don't have to pay tax on this, let's do an

13 amended return? Did you tell him that?

14 A No, I didn't.

15 Q You knew, Dr. Leveto, that if you went into

16 Mr. Scarpitti's office and presented him with this

17 information, that he was going to say, Dr. Leveto, that's not

18 the law? You knew that, right, Dr. Leveto?

19 A Well, I just -- let's just say that I didn't recruit his

20 support for this.

21 Jim is a pretty conservative guy, and I certainly

22 did not.

23 Q Well, let's look at the second page of this document,

24 sir. This doesn't provide the reason why you have zeroed out

25 your return, correct?

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1 A No. I believe there is an amendment that's supposed to

2 be with this just like the other ones. The amendment is what  
3 explains really in detail what is supposed to be on here.

4 Q I believe some of the subsequent returns do have that  
5 amendment. But, let's look at the 1991 return that you have  
6 in front of you on the second page. Do you see that, sir?

7 A Yes.

8 Q What's written next to number one, as far as -- and this  
9 is an explanation as to why you are now zeroing out your  
10 returns. Can you read what you say by number one?

11 A Number one says: The 1040 form fraudulently induced me  
12 to report sources of income as income itself.

13 Q So, you are saying, sir, that based on your review of  
14 materials, that you have now determined in your mind that  
15 that 1040 is fraudulently inducing me to report things that I  
16 don't need to report anymore?

17 A That's what I said there, but it's better explained  
18 within the addendum that should be here.

19 Q And then I am not going to belabor it, Dr. Leveto, but  
20 suffice it to say, that you did file amended returns for  
21 later years zeroing out all your income?

22 A Right.



23 Q And requesting refunds for any taxes that you paid?

24 A I think this was the only one that had any taxes. I

25 never -- I never wrote again and I never got any, I don't

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1 believe.

2 Q But, if the IRS would have taken this amended return and

3 sent you a refund for \$30,000.00, would you have kept it?

4 A I am not sure. I probably would have if that was my

5 belief at that time, and I have to tell you, in 1997 that was

6 my belief at that time.

7 But, without the addendum, I wouldn't think -- it

8 is very difficult for me to defend my actions without the

9 research that led me to that and that's what the addendum had

10 on it.

11 Q And I believe some of the subsequent returns do have an

12 addendum?

13 A I am sure they do, and that should also because they

14 were all done at one time, I believe.

15 MR. VORACEK: No further questions, Your Honor.

16 THE COURT: Thank you, doctor. You can step down.

17 (The witness was excused.)

18 MR. LEVETO: Your Honor, I wanted to make sure that  
19 the Book News, Defendant's Exhibit B, was entered. I don't  
20 know if it was or not.

21 THE COURT: I think I did, but if not, B is  
22 admitted.

23 Okay. Does the government have any rebuttal?

24 MR. VORACEK: No, Your Honor.

25 THE COURT: Well then, let's take a break and we'll

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1 hear the arguments.

2 We will reconvene in fifteen minutes, at twenty of

3 three.

4 (The jury left the courtroom.)

5 (Court recessed at 2:25 p.m.)

6 (Court reconvened at 2:45 p.m.)

7 (The jury entered the courtroom.)

8 THE COURT: Be seated, ladies and gentlemen.

9 Well, as you can see, things are reaching an end

10 here. What's going to happen now is you are going to have an

11 opportunity to hear arguments from both sides as to why they

12 believe you should reach the verdict that they want you to  
13 reach. And under our Federal Criminal Rules, the way it  
14 works is, the government gets to give their argument first,  
15 then the defendant gives his argument and then the government  
16 is permitted to give a rebuttal.

17 After that, I will give you a charge on the law and  
18 then the verdict will be in your hands. I don't know about  
19 the timing on this thing. My guess is that you will be back  
20 tomorrow. I am not going to keep you past five o'clock  
21 tonight unless, for some reason, you let me know that you  
22 want to work longer.

23 So, that's the way it is going to work from here on  
24 out. Okay.

25 MR. VORACEK: May it please the Court, Dr. Leveto,

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1 ladies and gentlemen of the jury.

2 This whole case is about control and ownership and  
3 what the difference is between them. To Dr. Leveto, the  
4 difference between ownership and control means everything and  
5 nothing. The difference means everything when it comes to  
6 reporting your income and paying your taxes. And when it

7 comes to enjoying the benefit of your business, your money,  
8 your cars, your home, the difference between ownership and  
9 control means nothing. Make no mistake about it, ladies and  
10 gentlemen, Dr. Leveto is a man with control; over his  
11 business, over his assets, over his money.

12 The United States submits he has control over all  
13 these things, only we would also call it ownership. For you  
14 to find Dr. Leveto not guilty of these crimes, you would have  
15 to find that he gave up all control over these things; his  
16 business, his assets, his money. But, the United States  
17 submits that the evidence clearly shows, overwhelmingly shows  
18 otherwise.

19 Now, Dr. Leveto has been charged with three crimes  
20 in this case.

21 The first charge is that he conspired with others  
22 to impede and impair the lawful functions of the IRS, and by  
23 doing so, he defrauded the United States.

24 He's also been charged with falsifying his 1994 tax  
25 return and that he falsified his 1995 tax return. The United

1 States has presented substantial proof that he's committed

2 all these crimes.

3 Proof beyond a reasonable doubt. With regard to  
4 the false returns, Dr. Leveto failed to report his business,  
5 the vet clinic, on his 1994, 1995 tax returns.

6 Now, Dr. Leveto may have -- may want you to believe  
7 that he didn't have to report the business activities from  
8 the vet clinic because he sold the business.

9 Now, I am sure we'd all agree -- I know I would  
10 agree -- that if an individual actually sells his business,  
11 doesn't have to report the business activity any more. To me  
12 that's pretty obvious. You are not obligated to do that.

13 You sell your business, it is not yours. It's gone.

14 But, this is really what this case is all about  
15 when it boils all down it to. When you look at the elaborate  
16 steps Dr. Leveto went through, the elaborate steps that he  
17 did that he took to convince the government that he, in fact,  
18 sold his business, the elaborate steps.

19 It wasn't just a simple closing where you got the  
20 buyer and you got the seller and they got the business and  
21 they run the business. It was not that way at all.

22 There is a lot of smoke. When the smoke clears,

23 it's evident that the only man standing as the owner of the  
24 vet clinic, the one with total control over every aspect of  
25 the business, including the money, including the money, is

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1 Dan Leveto. He never relinquished control.

2 The alleged sale to Center Company was a sham, a  
3 ruse. It was done simply to convince the government that he  
4 no longer had an interest in it. That's all. For that  
5 purpose. To hide it, to hide it from the United States, and  
6 Dan Leveto knew exactly that.

7 It's important that you find that he knew that  
8 because willfulness is an element in this crime and for this  
9 case. You have to find that Dan Leveto had the specific  
10 intent to commit these crimes. He knew it. He knew it was a  
11 sham. He intended to take that business out of his name for  
12 one reason alone; for taxes; to save tax money.

13 He didn't want to report it to the United States  
14 anymore. He didn't want to pay taxes on that income anymore.  
15 Dr. Leveto is not an ignorant man, by no stretch of the  
16 imagination. He's a smart guy. And he's someone that, you

17 know, that worked hard, that went to vet school, started

18 his -- you know, bought this practice, worked long hours,

19 built a good business. He's someone that should be admired

20 for doing these things.

21 But, Dr. Leveto is also enough sophisticated enough

22 that he would never take anybody's word for something. That

23 is not Dr. Leveto. We submit that we've never seen anything

24 where Dr. Leveto would just take somebody's word for. He's

25 his own man. Makes up his own mind. He's smart. He knows

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1 what he's doing. Summa cum laude from vet school. Summa cum

2 laude from undergrad school. Built his business

3 substantially.

4 We saw the amounts of money that the business was

5 making. Over a half million to \$600,000.00 a year in gross

6 receipts all the way through. He's a good businessman. Does

7 that -- does Dr. Leveto sound like a person who lets himself

8 get talked into things?

9 No, ladies and gentlemen. Dr. Leveto knew what was

10 going on here. His reason for doing it, there is only one

11 logical one. Again, so that he wouldn't have to report it to

12 the government because he didn't want to pay tax on it.

13 We saw, ladies and gentlemen, the taxes that

14 Dr. Leveto paid in 1990. He paid about \$30,000.00. He

15 submitted that in April, 1991. He knew his obligation to

16 file tax returns. He admitted that from the witness stand.

17 No problem at all. He knows Schedule E. He even told his

18 accountant, Jim Scarpitti, you know, I think you made an

19 error there.

20 Dr. Leveto, he got his eye on the dollar. He knows

21 where the money is. And in April, 1991, when he found out

22 that he had \$30,000.00 due and owing to the United States

23 Government, the United States submits that Dan Leveto

24 determined that he wanted to reduce that amount

25 substantially.

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1 Now, Dr. Leveto talked about this book, talked

2 about tax savings. Ladies and gentlemen, that's not what the

3 book is all about. It's not about -- Dr. Leveto talked about

4 some books that he said you could buy at Borders or Barnes

5 and Nobles where you could go in and get some advice on



6 saving a little with your taxes.

7 That's not this baby.(Indicating). That is not

8 this baby. This baby is tax free, free, free from taxes.

9 This isn't about saving a little bit of taxes. This is tax

10 free, about no more taxes. It is not how to reduce, it's --

11 we are talking about an entirely different animal here.

12 And then you look at the next tax returns. You

13 look -- the business was operating 1991, 1992. After

14 Dr. Leveto got involved in this program with FAR, we looked

15 at his individual tax returns for those later years, we saw

16 what was happening. The amount of taxes that he owed in 1992

17 moves down to a few thousand. In later years, he was down to

18 nothing.

19 Ladies and gentlemen, here, his business is the

20 same. He's operating it the same way. He is bringing in the

21 same money; the services, everything is the same. Nothing

22 has changed; lifestyle, same. You know, he got a nice house,

23 nice cars, takes good vacations. He's done all that. In

24 1991, he enters this program here. Does that change his way

25 of living? No.

1 We heard from Mrs. Leveto. She indicated that, if  
2 anything, their standard of living went up. So, the standard  
3 of living stayed the same. Everything stayed the same.

4 One thing changed. One big thing changed. The tax  
5 return, that changed. The amount he was paying, 1998, paid  
6 thirty grand. Later years, he was down to -- it went down to  
7 virtually nothing. That's what changed. That's what this  
8 program is about.

9 Dr. Leveto can talk about entering into FAR and say  
10 that there were other estate plan tools involved in that.  
11 The United States submits that's a ruse. The true import of  
12 this program of First America Research was to be tax free.  
13 No taxes.

14 Now, since the United States has charged conspiracy  
15 in this case, it's important for us to prove an agreement,  
16 that Dr. Leveto didn't do this on his own. And, again, the  
17 evidence submits that, or proves, establishes that Dr. Leveto  
18 didn't do this on his own.

19 July, 1991, August, 1991, when we see a flurry of  
20 letters going back and forth between Don Turner, Paul Harris  
21 and himself giving him advice on how to implement this

22 program. And Dr. Leveto bought into it and he did implement  
23 the program. These people told him how he could set up  
24 foreign bank accounts, move the money around. Purchased the  
25 program for \$10,000.00.

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1 Well, Dr. Leveto may want you to believe that he  
2 believed that everything about this was legitimate, that he  
3 relied on Don Turner. And he mentioned that he also talked  
4 with other people, too, but we didn't hear any names, just  
5 that he talked with some other people.

6 But, I asked him if he ever talked with his  
7 accountant, Jim Scarpitti. I mean, this is a tax issue here.  
8 Did he ever sit down and discuss this program with  
9 Mr. Scarpitti, the CPA down the street?

10 What about red flags? What about red a -- alarms  
11 that might go off in your head when you are going into a  
12 program like this? Shouldn't some bells and whistles have  
13 gone off in Dr. Leveto's head that, hey, I am not sure about  
14 the legitimacy here.

15 Let's just go back and think about how it all began  
16 here. The letters back and forth between him and Don Turner.

17 Don Turner saying come out to Denver. Where did they meet at  
18 in Denver? Did they meet at Don Turner's business? No.  
19 They met in a hotel room.

20 Was it secret? Yes, it was secret. Did he have  
21 cash? Yeah, he had cash. He had \$10,000.00. That is how it  
22 all began. That's how this supposed legitimate thing began,  
23 in somebody's hotel room where \$10,000.00 in cash is  
24 exchanged.

25 You think they didn't want somebody to know about

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1 it? How about the United States? Is there enough red flags  
2 there to make Dr. Leveto think, you know, something is not  
3 quite right about this. I should go talk with somebody,  
4 somebody who knows something about this. And did he?

5 And the first thing that -- one of the first things  
6 that Dr. Leveto did after the program was implemented was to  
7 make sure that everything goes out of his name. So, he  
8 changes the name to Center Company. He knows that he can't  
9 keep it in the name of, you know, his bank accounts in the  
10 name of Langdon and Leveto anymore. He knows how easy it

11 would be for the United States to find that.

12 I mean, here this man, he is operating this  
13 business throughout the 1980's using one bank account,  
14 Langdon and Leveto. And all of a sudden, he stops, starts  
15 two new bank accounts in the same name of Center Company and  
16 now starts conducting all of his business through these two  
17 accounts in an entirely different name, Center Company.

18 The purpose? Dr. Leveto would say, well, I sold  
19 the business. But, when you look at who is controlling all  
20 the money in and out, it is still Dr. Leveto. The United  
21 States submits he's changed the name to make it harder for  
22 the IRS to find it.

23 Business always operated the same. He controlled  
24 everything. But, Dr. Leveto is now trying to tell the United  
25 States that the vet clinic in Meadville wasn't his anymore.

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1 See, it is not my name, and I think he began to call himself  
2 an employee. Yeah, he's an employee of the business.

3 The money? Dr. Leveto would have you believe that  
4 the money in the Center Company's bank accounts was no longer  
5 his, that he was the agent. The United States submits that

6 the evidence is clear. Dr. Leveto had full, total control  
7 over the money, everything that went in and out.

8 We showed you plenty of charts indicating that, you  
9 know, we have funds going out of the Operating Account and  
10 they were all controlled by Dr. Leveto. He always kept his  
11 eye on the dollar.

12 I noticed that was one of the things that  
13 Dr. Leveto brought up. What really matters is the funds. I  
14 agree with Dr. Leveto on that point. I agree entirely. You  
15 follow the funds. They all end up, no matter where they go,  
16 they all end up right here with Dr. Leveto. Even the monies  
17 that were sent to try to conceal this whole thing to try to  
18 legitimize the scheme, if you really follow it through, you  
19 will still see that all the money still comes back to  
20 Dr. Leveto.

21 So, we have Dr. Leveto getting involved in this  
22 program, Tax Free, and then a few months later, Dr. Leveto  
23 claims that he sells the business to this company called  
24 Center Company. Is this an arm's length transaction between  
25 a buyer and a seller? Who is Center Company? Are they even

1 there?

2 This sale didn't take place in a room with a seller  
3 and a buyer and attorneys on both sides and documents going  
4 back and forth as how it should be done. We don't see that  
5 at all. This sale was done in Dr. Leveto's mind. Yeah, he  
6 had advice from other people and, yeah, there was documents  
7 from foreign places, and that that come back and forth all to  
8 try to legitimize it.

9 But, in reality, the sale was a sham. No money  
10 changed hands. Dr. Leveto, he maintained control of  
11 everything. He even told his staff that we heard from, a  
12 couple of his bookkeepers, Miss Jeannerett, Millie Custard,  
13 Dr. Leveto told them after the sale, nothing is going to  
14 change, and nothing did change. Only the name changed. His  
15 control over the business, control of the money stayed  
16 exactly the same. The sale, it was all done with mirrors  
17 designed purely to conceal from the United States.

18 And I think in that tape-recording where Dr. Leveto  
19 sat down with Agent Gonzalez, Dr. Leveto called it a paper  
20 tiger. That's what this is. A paper tiger. It's a tiger  
21 with no teeth. It didn't really happen. A buyer with no

22 control over what he's purchased. That's what Dr. Leveto

23 would have you believe.

24 I think he testified on cross-examination that this

25 business that he's built up, that he worked so hard for, that

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1 he would sell to this man in the Turks and Caicos Islands who

2 knows nothing about him whatsoever, Jack Williams, and that's

3 going to be his new boss there, knows nothing about him, that

4 Dr. Leveto would give him full control over his business,

5 enabling him to fire Dr. Leveto?

6 Ladies and gentlemen, is that credible, a smart

7 individual like Dr. Leveto to truly turn over his whole

8 business to this person who is also a cab driver in the Turks

9 and Caicos Islands?

10 This is about names, about changing your names.

11 How easy it would be to just put something in somebody else's

12 name. It is no longer yours then. It doesn't matter if you

13 continue to drive the car or use the money or fly the plane.

14 Total control over it. All they have to say is, hey, it is

15 not mine, it is not my name. But, you know what? I get to



16 enjoy the benefit from it. Even the money, I get to control

17 the benefit from it.

18 Think about that. Wouldn't that be great. Being

19 able to have 150,000 and enjoy the benefit from that, spend

20 it for whatever you want, but never have to worry about

21 reporting it to the government because you can just tell the

22 government, hey, it's not my name.

23 That's what happened here. There is nothing fancy

24 about it. That is what happened here. Dr. Leveto got advice

25 from a couple of guys, bought this book, got into this

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1 program. \$10,000.00 to get into this program. 1991, spent

2 \$10,000.00.

3 But, when you think about the tax money that was

4 saved, I think it's a bargain. He reduced his taxes from

5 thirty grand to virtually nothing. That sounds like a good

6 deal to me, especially when you are able to control all the

7 benefits from it. Your lifestyle doesn't change at all;

8 still get to take the nice vacations. Control every aspect

9 of the business.

10 I mentioned before that there was something a

11 little bit complex about this. We have this entity in Turks  
12 and Caicos called Center Company. And Dr. Leveto claims, you  
13 know, that Center Company is now going to report the business  
14 receipts on their tax return. I think we saw that return.  
15 It was called an NR return, non-resident return. And, in  
16 fact, we saw some returns that were sent in by Center  
17 Company.

18 But, when you look at the bottom line, we don't see  
19 any tax being paid on this money. Instead, whatever profit  
20 they had went to another foreign entity, and Dr. Leveto  
21 talked about that a little bit on cross-examination.

22 So then, that entity, I think it was called  
23 Newbury, could then file a trust return and tell the United  
24 States we didn't get any money from any United States source.  
25 We got ours from this company in the Turks and Caicos so we

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1 don't have to pay any tax.

2 What a scam. The money was earned in Meadville,  
3 Pennsylvania, sent to a company in Turks and Caicos, and then  
4 goes off to another company in a foreign land, distributed to

5 them, and now that other company could say, well, we got our  
6 money from the place in Turks and Caicos, and they didn't  
7 have to pay any tax on it and Dr. Leveto, he knew that. He  
8 knew that that's how the arrangement was and no one was going  
9 to pay tax on this money at all.

10 In fact, it's interesting -- what's interesting is  
11 to really try to -- it was all done to try to convince the  
12 United States that it was legitimate. But, if you really  
13 follow the money, if you keep your eye on the dollar, you can  
14 see that all it really was was a scam.

15 Dr. Leveto, we talked about on cross-examination  
16 how, in March of 1996, Dr. Leveto sent some monies as the  
17 profit from the veterinary practice to Global Scope. And we  
18 can see, ladies and gentlemen, if you follow the money, as  
19 Dr. Leveto suggests we do, the money goes to Box Elder at  
20 Barclays Bank, and we know who got control over that.

21 The wire transfers. Saw plenty of documentation.  
22 Dr. Leveto can direct all the ins and outs out of these bank  
23 accounts. How can he say that it was -- what did he call it?  
24 Permissive authority? I can move money in and out. I have  
25 permissive authority. They are his bank accounts; got his

1 address on it. The bank statements come to him.

2 Leonard Adler. It's him. He's got a stamp with

3 Leonard Adler in his office. Bank statements come to him.

4 Box Elder and Leonard Adler are Dr. Leveto. It was set up

5 like they got involved with Don Turner and Paul Harris. They

6 all set it up. That was how it was supposed to be. Use

7 different names. Move the money around.

8 Why? Why would you do that? Well, so the United

9 States can't find it. That's why we see all these monies

10 going to Box Elder and Leonard Adler. That's why we see

11 foreign banks involved. I mean, if it was really legitimate,

12 if this was a real legitimate program that you could go down

13 to Barnes and Noble and save a little money on your taxes,

14 you think that they would be suggesting to do all these

15 things? No. This is tax free. This is allow not to pay tax

16 at all on anything, send it offshore.

17 What did Dr. Leveto say about that, about sending

18 the money offshore? You don't think he knew how this worked?

19 You don't think that -- what did he tell Agent Gonzalez about

20 sending money offshore?

21 Well, on November 1st, 1995, Dr. Leveto talked a

22 little bit about that.

23 He says: But, the whole thing is, you know, Uncle

24 Sam comes to me and says, hey, what's this business? And I

25 say, well, hey, I work for da, da, da, da, da. Well, you

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1 think they are going to go to the Turks and Caicos Islands

2 and audit them?

3 Agent Gonzalez says no, I doubt they are going to

4 do that.

5 And Dr. Leveto says: You doubt that very strongly.

6 He knew exactly what was going on. He knew why he

7 was using these foreign bank accounts. So the United States

8 couldn't find the money. He knew why he was using Box Elder

9 and Leonard Adler. He took it out of his name.

10 You know, it's kind of interesting on that land

11 sale. This was -- there was a piece of land that the Leveto

12 family had had for a while, and right before it was sold,

13 somehow, all of a sudden, it became Center Company's

14 property. There was some tax withholding on that and the tax

15 withholding went offshore. And, finally, as we saw, it

16 finally came back to the Center Company Holding Account.

17 We asked Mr. Meyer on the witness stand about

18 Dan Leveto and Center Company and why the checks were written

19 the way they were. And I think Mr. Meyer said something to

20 the effect that, you know, Dan Leveto said he wanted to make

21 some money for himself.

22 But, again, ladies and gentlemen, the real focus on

23 the case is, should Dr. Leveto have seen red flags in this

24 program, have realized that this program wasn't legit?

25 The United States submits the evidence, it is

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1 overwhelming. But, you know, Government Exhibit 74, I think,

2 it's pretty clear. This is from both Don Turner and Paul

3 Harris, the co-conspirators, and they are writing Dr. Leveto

4 and they tell him about, you know, we saw a lot about secret,

5 how this is all secret, and Dr. Leveto said, well, there are

6 trade secrets. We don't want anybody to know this because we

7 want everybody to pay.

8 I can understand that you don't want to give

9 anything away free. But, it was secret for a bigger reason

10 than that, and I think the co-conspirators told Dan Leveto

11 right here, this letter right here, August 10th, 1991, this

12 is protection for each one of us against the jealous and

13 nosey state.

14 He is not talking about the State of Pennsylvania.

15 He's talking about the United States. He's talking about

16 taxes. You think that when Dr. Leveto, he was trying to

17 think about getting involved in this program, when he got

18 this letter from these guys in Denver, saying we wanted to

19 keep it away from the jealous and nosey state, you think some

20 bells would have gone off at that time, hey, is this legit?

21 I'm starting to get a little worried now. A smart guy like

22 this, like Dr. Leveto, do you think he should have said,

23 geez, what are they telling me here, keep it away from the

24 jealous and nosey state?

25 Does that sound like a real legitimate thing,

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1 ladies and gentlemen, a real legitimate tax planning thing,

2 keep it away from the jealous and nosey state? Jealous and

3 nosey. Jealous and nosey. Jealous?

4 Then we have some handwritten notes. And, ladies

5 and gentlemen, you will be able to take a look of these  
6 notes. You will be able to take all of them that were  
7 admitted into the evidence back to the jury room with you.  
8 But, if you look at these notes -- he said it wasn't his  
9 handwriting, but we asked the bookkeeper if she recognized  
10 whose handwriting it was. She knew. She said that that was  
11 Dr. Leveto's handwriting.

12 When you look at some of the notes that he was  
13 writing to himself, you can see -- you can see right through  
14 this. Secret P.O. Box. My name. In phony name. In phony  
15 name. This is all part of the program Dr. Leveto said. It  
16 is all part of the program. In phony name?

17 Box Elder and Leonard Adler, yeah, they are a phony  
18 name. That's exactly what they are.

19 Well, here's about Box Elder. This is what  
20 Dr. Leveto wrote to himself as part of a note about Box  
21 Elder. No one is to know about B E, Box Elder.

22 Further on down, this is a secret account, not to  
23 be discussed with anyone but Don and Paul. In his own words,  
24 he knows what's going on, ladies and gentlemen. He knows.  
25 Dr. Leveto knows that this is all -- all done for secrecy



1   sake to keep it you out of the government's eyes. That  
2   that's really the -- that's what the case is all about, you  
3   want to conceal it from the United States.

4           He got the stamp, Leonard Adler, in his office safe  
5   that he could use. And Dr. Leveto may want to tell you that,  
6   well, he was an agent for Leonard Adler. He may want you to  
7   believe that. But, when you look at the other documentation,  
8   the bank documentation, Dan Leveto opened up an account for  
9   Leonard Adler at the PaineWebber bank, or at least he made  
10   sure that all the statements came from PaineWebber to his  
11   house and he was able to direct funds in and out of  
12   PaineWebber to his. Totally secret.

13           These are all red flags that an intelligent person  
14   would have told and -- said there is something wrong with  
15   this. Dr. Leveto knew. He knew this wasn't legitimate.  
16   Actually, there were several ways that Dr. Leveto actually  
17   used this setup to get money.

18           I mean, we saw, through Margaret Leveto on the  
19   witness stand, how he paid a lot of his personal bills with  
20   business funds, you know, and he expensed them, supplies, or

21 miscellaneous.

22 We heard Karen Jeannerett testify that they had  
23 \$200,000.00 worth of supplies in one year at the vet clinic  
24 where they are doing service on animals. They are not a  
25 grocery store. You know, \$200,000.00 worth of supplies for

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1 500,000 in receipts. The supplies were credit card bills.  
2 They were categorized there.

3 Margaret Leveto says -- she took the stand and  
4 said, yeah, these credit cards bills are us. That's our  
5 family vacation, jewelry, all paid by the business.

6 That is income, ladies and gentlemen. None of that  
7 appears on his tax return. But, that wasn't the only way  
8 that Dan Leveto was able to get the money. We saw another  
9 account in the name of Center Company called the Holding  
10 Account. And, yeah, it's a pass-through account. That's  
11 really all it was, was a pass-through account. There is no  
12 other purpose for it.

13 We have all these monies coming in, including a  
14 substantial amount of his business receipts, almost 400,000.

15 And out of that account, when you start looking at who gets  
16 the benefit of it, we see money going to Margaret Leveto and  
17 PennBank and Integra and that included some payments for, as  
18 Dr. Leveto said, for an airplane.

19 Jack Carl futures, that's the investment account,  
20 foreign account, box Elder, Leonard Adler, we know who  
21 controls the money in and out of those accounts. It is  
22 Dr. Leveto. That was another way for him to get the money.

23 Then he got money out of the foreign accounts.  
24 Dr. Leveto, with the assistance of Don Turner, established  
25 accounts in the Turks and Caicos, Channel Islands and Grand

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1 Cayman. Why those places? If this was a legal program and  
2 the sale of Center Company was legal, then why funnel all  
3 these monies to foreign countries, and why these countries?  
4 Well, it's a great way to conceal because these countries  
5 have no tax laws.

6 So, Dr. Leveto established Leonard Adler, used  
7 Leonard Adler to receive funds. Box Elder, Wayne Co.,  
8 basically admits it. I mean, the monies -- you know, the  
9 address is the same as his. The funds going in and out of

10 those accounts are all directed by him. The only thing that  
11 Dan Leveto was counting on was that the United States wasn't  
12 going to trouble with him.

13 So, ladies and gentlemen, to sum up, Dr. Leveto  
14 never lost any control of these funds. You know, when we ask  
15 ourselves, did he really get good, solid, decent advice from  
16 people that he could have? The answer is no.

17 I mean, he relied on Don Turner. He said he  
18 knew -- he said he even knew Don Turner was convicted of some  
19 tax crimes.

20 Lifestyle stayed the same all the way through. The  
21 only thing he did was reduce his tax liability.

22 Now, there is some elements I just want to go over  
23 with you briefly on the indictment.

24 Tax returns, the falsity. The United States  
25 alleged that he failed to report his business activities. He

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1 knew he had that duty to before, and this is why it was set  
2 up this way so he could conceal it from the government.

3 If you look at the '94, '95 tax returns, you won't

4 see a Schedule C on there. You won't see any gross receipts.

5 You won't see any business activity. Dr. Leveto didn't

6 report any of that to the United States in those years. You

7 got to find that he signed those returns under penalties of

8 perjury, and you will see that from the tax returns

9 themselves easily.

10 Now, we have also alleged in the alternative, that

11 you can also find that he should have checked that box saying

12 that he had control over a foreign account. I think that was

13 clear yesterday.

14 You, know when we had Kimberly Iddon on the witness

15 stand and we saw that Box Elder account from Barclays Bank,

16 you know, and in the Grand Cayman Islands and we showed her

17 that letter directing that monies go out of that account,

18 that was from Dan Leveto. He had enough authority over it to

19 be able to direct money in and out. He had control over the

20 monies.

21 And we also have shown that Dr. Leveto knew about

22 that requirement. I mean, I think he said today that, with

23 that TSB Bank, he specifically knew that I can't keep 10,000

24 in it, and he told his wife that and he tried -- now, he was

25 concerned about that one for one reason, because that account

1 was in his own name. That was the only account that he was  
2 worried about, but he knew as long as I kept that below  
3 10,000, I am okay, and he did.

4 But, these other accounts he didn't. These other  
5 accounts that he controlled that he had an interest in,  
6 directed money in and out of these foreign accounts, no, they  
7 were over 10,000 in those years. We saw the money. I am not  
8 going to go into that again. We saw the monies. But, he  
9 checked the no box. And we have to prove that -- we will  
10 have to prove to you that his conduct was willful, you know,  
11 that he had that specific intent to do this.

12 Use of aliases to hide his ownership of the  
13 business. Use of aliases to hide his money in accounts not  
14 in his name but of which he had total control. Use of  
15 foreign countries to flow the money back to him to conceal it  
16 from the United States. Use of his business to secretly pay  
17 his personal expenses and the fact that Dr. Leveto knew his  
18 duty from his previous filings and that he's a smart man.

19 The United States submits that we've proved

20 willfulness in this case, ladies and gentlemen, that

21 Dr. Leveto can't, can't hide behind this. He can't hide. He

22 can't put this (Indicating) up in front of him and say, hey,

23 I was just following what this book told me to do.

24 There is too many red flags that should have --

25 there is too much here that would have caused anybody to say

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1 something is not right about this, about people who are

2 talking about keeping it out of the nosey and jealous state,

3 that have meetings in hotel rooms,

4 What it all comes down to, when you really think

5 about it, are those amended returns that Dr. Leveto filed in

6 1997. When you start thinking about Dr. Leveto's intent at

7 the time, think about those returns.

8 Now, it wasn't so long after this that he started

9 zeroing out all his income. He amended all those prior

10 returns. He zeroed them out. He said he read something and

11 he determined that he didn't have to report this anymore.

12 And Dr. Leveto says it had nothing to do with this program.

13 Nothing to do with this program? Tax Free.

14 The fact that in 1997, Dr. Leveto, he is now

15 zeroing out his tax returns, that he doesn't -- that he's  
16 read something that has convinced him that he doesn't have to  
17 report this anymore to the United States and pay any tax, and  
18 Dr. Leveto is telling us that that had nothing to do with Tax  
19 Free.

20 The United States submits that it did, submits that  
21 that is what was in Dr. Leveto's mind all the time. From day  
22 one in 1991 after he paid that huge tax bill to the United  
23 States, that's what he was thinking about, how do I get out  
24 of it for good, bow out of the system totally?

25 And then, with regard to the conspiracy, as I said,

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1 we have to prove to you an agreement to conspire.

2 The United States submits that there is plenty of  
3 evidence there. You will see the correspondence back and  
4 forth for years actually beginning in 1991 all the way  
5 through, giving advice, implementing this program.  
6 Dr. Leveto even agrees, he even states that he entered into  
7 an agreement with them. Don Turner and Paul Harris, he  
8 entered into an agreement.



9 The goal of the conspiracy? To impede and impair

10 the lawful functions of an agency of the United States, the

11 Internal Revenue Service.

12 And how did he impede? Well, Agent Lapina was on

13 the witness stand and we asked him some questions about how

14 some of this conduct would -- what effect that would have on

15 the IRS? You know, using aliases and nominees and foreign

16 accounts, taking things out of your name, how does that

17 affect the IRS?

18 Dramatically. Yeah, it makes it a lot harder for

19 them to find if you don't have a bank account in your name

20 and the IRS sees something wrong with your return and they

21 want to investigate it, they are not going to find it if it

22 is not in your name. If it is sent to another country that

23 doesn't have tax laws and you can't get any information on

24 it, like the Turks and Caicos Islands, how is the United

25 States going to find that?

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1 So, the United States takes a look at Dr. Leveto's

2 returns, knows he is in operation running a veterinary clinic

3 in 1992, 1993, doesn't see it anywhere on his return and then

4 starts thinking, let's take a look, let's maybe investigate

5 this a little bit.

6 Where are they going to look? When they go looking  
7 for the Langdon and Leveto bank account that Dr. Leveto used  
8 to use, the money is not there anymore. It is in the name of  
9 another account, Center Company. So, how can they find it  
10 there?

11 To impede and impair? The government submits that  
12 definitely this is done to impede and impair the government,  
13 making it harder for them to find. Foreign bank accounts,  
14 uses nominees and aliases, Box Elder and Leonard Adler.

15 Of course, the United States alleged several overt  
16 acts in the conspiracy that you will see, and really all you  
17 have to do is find that one of them applies. But, the United  
18 States submits that we put on every single one of those overt  
19 acts.

20 Dr. Leveto may contend that he really believed that  
21 this was legal. But, when you look at the program, itself,  
22 the totally secret, don't disclose, red flags, does it really  
23 look legitimate? If it's legit, what is of the point of  
24 keeping the secret?

25 And what about the CPA, Jim Scarpitti, did he ask

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1 him? What Dr. Leveto did was, he really, really took things  
2 into his own hands here.

3 As I said when I started here, he's a man in  
4 control. He didn't like it. He didn't like paying the tax.  
5 He took care -- he made sure that he wasn't going to have to  
6 do that anymore, that he would bow out of the system, and he  
7 agreed with these guys, Don Turner and Paul Harris, kind of  
8 an elaborate set up, but he went along with it.

9 No, ladies and gentlemen, this isn't about a man  
10 who believed that this program was legal. This is about a  
11 man who wanted all of his income without having to give any  
12 of it to the United States, pure and simple. Took elaborate  
13 steps to insure that the government didn't find out. And  
14 even if they did, it would be so difficult for the United  
15 States to entangle, that they would forget about him.

16 And the United States submits, ladies and  
17 gentlemen, that that's why Dr. Leveto did this. And that is  
18 why the United States asks you to return a verdict of guilty  
19 on all counts. Thank you.

20 THE COURT: Dr. Leveto.

21 MR. LEVETO: Yes. Good afternoon, ladies and  
22 gentlemen of the jury.

23 I think that it's important to focus on many of the  
24 things that have come in front of you over the last week, and  
25 there has been a lot of evidence and a lot of faxes and a lot

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1 of numbers, and I am being accused of trying to defraud the  
2 government. And the bottom line is that basically the United  
3 States contends that my whole reason for doing everything  
4 that I did was to defraud the government, even almost as a  
5 secondary way of saving taxes, but to defraud the government.

6 I maintain to you that really that's a long  
7 distance away from the truth. I think a lot of the things  
8 that we will talk about now, as you familiarize yourself with  
9 some of the other evidence, and certainly perusing the book  
10 itself, Tax Free, the way the Super Rich Do IT, is a book  
11 that speaks about many, many ways of reducing, and it is not  
12 just about ending taxes.

13 It's a situation where, as you look at it, you are

14 going to be able to see that without me having to  
15 characterize it. But, keep in mind one thing, and I think it  
16 is very important, the openness by which I was selling the  
17 book. The openness of myself and my transactions have to be  
18 very, very important here.

19 The government contends that because there is a  
20 foreign bank account and because there are certain numbers of  
21 these things that are true, that automatically makes anything  
22 that I was doing illegitimate, and that's just simply not  
23 true.

24 The Internal Revenue service has many, many ways --  
25 and, again, the transparency really was the fact that

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1 accounts that had money coming in and out of them, those  
2 could always be looked at. Center Company was Center Company  
3 doing business as Langdon and Leveto Veterinary Hospital.  
4 All of these things would be very easy to examine on audit.

5 There was nothing really secretive about it because  
6 even the wire transfers coming in or loans coming in, or  
7 anything that I was doing, really was very, very observable.  
8 Okay?

9 Now, the primary thesis and the primary theory of  
10 the government's case revolves around the fact that since I  
11 had control, that it's impossible for me to have done what  
12 the paperwork says was done. And I maintain that that, in  
13 itself, strains the imagination.

14 First of all, I would be foolish to tell you that I  
15 would want to sell and not have at least enough authority to  
16 feel comfortable and maintain some sort of lifestyle, even if  
17 I had on the horizon something that was going to produce a  
18 windfall and profit, which I counted on the commodity trading  
19 to do that, even if I had that on the horizon and I felt that  
20 I could use credit and borrow money, I felt very, very  
21 comfortable in doing it, yes, maintaining management  
22 capabilities in the practice, and that's something common in  
23 every-day America. Corporations and very high officials in  
24 many, many companies have very, very outreaching and very far  
25 discretion in what they do with their companies.

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1 Yes, this didn't change very much. I wouldn't have  
2 had it any other way. That was part of the whole situation.

3 It is not what we are talking about is the problem in the  
4 program. We are actually talking about what -- FAR being  
5 finders, that we can have like-minded people that were  
6 interested in returns on investment realities, in businesses  
7 being transferred, or realities in those types of things and  
8 having common goals and things that we desire.

9       So, because it ends up in the way that I was doing  
10 it, that those years certainly didn't change my taxable  
11 income does not automatically mean that I was involved in a  
12 scam or a sham. That's an assumption that's very much  
13 unwarranted, especially as you begin to peruse this  
14 publication and really see how I was not at all doing  
15 anything but being very public and not secretive about what I  
16 was doing and even selling the book.

17       So, the government's position almost asserts that  
18 anything that looks too good to be true must be that way in  
19 the world of taxes.

20       I think it's another very important thing to think  
21 about. Even now if you look in the newspapers, you will find  
22 very frequently tax amnesty programs for many, many drug  
23 companies and large corporations that have got offshore  
24 components and the government is inviting oftentimes to bring

25 these things in. So -- at a greatly reduced tax.

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1 So, I am just saying that to do and to work  
2 offshore and to do some offshore things is not unusual, even  
3 though it does carry a stigma with it many times that is  
4 somewhat unwarranted.

5 It's not just the book and it's not just the idea  
6 of, gee, would a reasonable person have red flags? As I  
7 said, and as you will see for yourself, without anybody  
8 putting any spin on it, this book, I believe part of the  
9 value-added component is as a marketing component, helping  
10 you to believe or helping the buyer to believe that they have  
11 something other people don't have; that is, a very big part  
12 of the secrecy end of it.

13 Also, when we talk about privacy, I think we all  
14 need to continually worry about our privacy. I think it's a  
15 very important thing that we are gradually losing. But, not  
16 only that -- yes, did the introductory letters raise flags  
17 with me? Did some of the correspondence raise flags with me?  
18 Did some of the notes that I wrote that, of course, I don't



19 know the context that I was saying things in, but do those

20 thing raise flags?

21 Well, I have to tell you that it is really improper

22 to talk about flags, because to stand out as a third party

23 now, perhaps if I was audited and people talked to me about

24 it and we discussed things and had different positions,

25 reasonable people can disagree. There is no doubt about

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1 that. I am sure you would agree with that.

2 But, the idea is that everything I did was

3 considered examining the law and walking within the law at

4 all the steps. You will see in the book that's recommended,

5 but also even the flow chart I gave you, if you look at that

6 flow chart today, I don't feel it is less lawful than it was

7 back then.

8 In other words, if I was an individual that

9 traveled to one of these Islands and say I set up with my

10 uncle or someone else down there to be an investor that

11 actually could, within the laws of that jurisdiction, have

12 money come into that jurisdiction and him derive benefit and

13 I derive benefit and comport with the Internal Revenue laws

14 as they are here as well, in other words, when we talk about  
15 effectively connected income, those are concepts that are  
16 real. They come from the Internal Revenue Code. Not trying  
17 to skirt the law. That's foolish. Taking advantage of the  
18 law. That's the whole thing. Taking advantage of what you  
19 can do to operate within the law. And that's the issue here.  
20 That really is the issue.

21 The government's theory cannot survive unless there  
22 is the assumption that I knew that there was a nefarious deed  
23 that I was committing and I was willful about it and my  
24 intent was to violate a known legal duty. I can assure you  
25 that's not what it was, ladies and gentlemen.

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1 Control? Any business can mean a lot of things.  
2 Generally speaking, men are free to make contracts and  
3 appoint people to do virtually what they like to do. A good  
4 deal or a good business decision, perhaps if I was selling  
5 the practice to a corporation of a relative in this country  
6 that gave me virtually full discretion to do what I wanted to  
7 do, may not be unusual at all.

8 I may have virtually all the things without the  
9 ownership, and much of the profits in the practice may pass  
10 into that corporation and that corporation may have the  
11 choice of paying taxes or passing it on to shareholders,  
12 wide-range decisions that people can -- within businesses  
13 could reach.

14 But, you know, it's always been said that there  
15 must be economic substance, there must be mutual benefitting  
16 from it. It can't be for the only reason of evading taxes or  
17 avoiding taxes, which one is legal and one is not. It can't  
18 be for the only reason of doing that.

19 But, ladies and gentlemen, let's be very real about  
20 this. Many business decisions certainly have that as a large  
21 component in their decisions and mine were like that to a  
22 degree, not as the only thing, because I was also interested  
23 in limited liability and all the other things that you get  
24 from either having a corporation or another entity that we  
25 are talking about now.

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1 You have now seen evidence and heard testimony as  
2 to some of the things about the core of the onshore business

3 here.

4 Yes, I had considerable latitude in borrowing  
5 money. Yes, I had a business that was paying me \$2,198.00 a  
6 month. The business itself, I had a line of credit. These  
7 things are really not to be challenged unless one is to  
8 believe that they were absolutely fake, and they are not a  
9 fake. The paper trail shows you that. And because I exert  
10 control and because I tallied them and because I keep track  
11 of them, because I do those things does not mean that they  
12 are wrong and it does not mean that they are fake. That's  
13 very important.

14 The government talks about all of these receipts in  
15 the Schedule C. I think that we have shown that disappearing  
16 from one tax return and going to another one that,  
17 unfortunately, the fatal flaw in the government's theories is  
18 that it should not do that because the business wasn't sold,  
19 and that is absolutely wrong. There was a Schedule C being  
20 prepared for the business, and when money disappeared, the  
21 documentation existed and the Schedule C appeared somewhere  
22 else.

23 But, when we talk about the several years of gross

24 receipts, certainly the government has not proved that I have

25 had control or I have had benefit in all of those years of

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1 gross receipts. That's a very important issue.

2 When it comes to these foreign bank accounts, which

3 are really a kind of a point that we have sparred back and

4 forth about them, the authority, permissive authority versus

5 another authority, nominee names, it is easy to try to put me

6 in a position of, these things were opened up by myself.

7 But, I maintain to the jury, please, understand,

8 the TSB account was the only account that was opened by

9 myself, and my wife and I had discretionary control over that

10 account. All of the other issues that we have talked about,

11 if we talk about Leonard Adler for a couple of years, if we

12 talk about the Box Elder account and where it's moved, all of

13 those things that we are talking about, it must be understood

14 that there is not a document that says that I opened those

15 accounts, and I did not, or that I had ownership in them.

16 And when I speak of permissive authority, even

17 though the government does not like to hear that, and

18 obviously one of the prongs of what they are trying to

19 convict me of is that I knew, well, that I needed to x that  
20 box, well, I think that I've brought at least testimony here  
21 to tell you why that I didn't believe I needed to x it, nor  
22 do I believe now it needs x'd.

23 When we have a situation that someone can operate,  
24 as my office manager did, with a stamp, okay, a stamp to  
25 endorse or a stamp to take control, and broad wiring

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1 authority, if it's permissive authority, and she had to get  
2 permission from me each time, as I had to get permission from  
3 actually people that were in authority over that account each  
4 time I did it.

5 So, it's a very important thing. And just because  
6 circumstances point to, well, if you know what's in the  
7 account, or if you get a statement, that must mean ownership,  
8 that's not at all true.

9 The PaineWebber account opening. Well, we didn't  
10 see the account-opening information. I can't remember, was  
11 it Mrs. Weis, the PaineWebber -- I believe that the young  
12 lady that testified, we heard testimony to the PaineWebber

13 information that had me as one of the people that would

14 receive statements on that account. Okay? Which doesn't

15 mean that nobody else was. Nobody else was.

16 But, as she testified, that was not an

17 account-opening application. I think that's a very important

18 thing. It's extremely important because there, the inference

19 that because I see statements or because I give investment

20 advice or because things come to my house that I own them is

21 not proper, and it's not correct. But, it is part of what

22 the government's theory has to hang on.

23 So, those accounts, even though I had a connection

24 on how successful they might be, it was, in no way, my

25 monies. It was for them to invest, them to gain interest

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1 where they were, or if I found an investment or if I wanted

2 to borrow and pay interest on it, I could do that.

3 Again, the TSB account, I was fully aware of and,

4 again, sure, I was aware of the \$10,000.00 limit. Is it

5 something that because someone does not want to make it go

6 over \$10,000.00 that I am trying to, again, to hide a

7 nefarious deed? No, that doesn't mean that at all.

8           That means that I am knowledgeable of that law,  
9   taking advantages of it and feeling comfortable doing it. I  
10   am not trying to hide anything. And, of course, those  
11   receipts who are those pieces of information were all freely  
12   seen in bank accounts at the practice and my wife's account,  
13   and things like that. There was nothing hidden.

14           I maintain, again, that really all transactions  
15   were transparent. There is no doubt about that. If we talk  
16   about land and we talk about aircraft, we talk about any of  
17   the things that I did to try to make good business monies or  
18   good business moves that were totally transparent. There was  
19   nothing hidden.

20           I must say that, like I had said before, even  
21   though I was a part of a lot of this -- and when I say "a  
22   part of a lot of this" obviously I was at the helm, making a  
23   lot of directions, but the numbers have been very confusing,  
24   and to summarize many of these ways, you need to keep in  
25   perspective that businesses move money, and sizable

1   businesses transfer and move money, and flow charts don't



2 always tell you intent behind things. That is extremely

3 important.

4 So, the investments that I made to help Center

5 Company out, the other things that I did, there was nothing

6 at all wrong with that. That helped to cement and guarantee

7 my position as I was doing a good job. And I think that is

8 very, very important.

9 Control had continually come up as an issue. And I

10 guess I wouldn't know what is acceptable control and what's

11 not acceptable control. And I really guess that if someone

12 would have audited me or asked me and there would have been a

13 blueprint or a backdrop to know what I said at a certain

14 time, and then perhaps if a criminal investigation turned up

15 something different, one might say, well, that person alleged

16 one thing and we found out something different.

17 Well, I was never asked that. And I still stand by

18 the affidavit of general manager's powers. They have them

19 there. And it was expanded for commodities trading and

20 investments, and things like that. And I certainly make no

21 apologies for giving up control, and there is not a bright

22 line for giving up control. The government's theory rests

23 upon the fact that I didn't give up enough where they would

24 never say it was a transaction.

25 I say again that is something reasonable people can

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1 disagree on that, and I believe there is too much emphasis  
2 put on that. The elaborate transaction is, there really  
3 weren't elaborate transactions. Presenting six years of kind  
4 of a lousy bookkeeper and too many checking accounts numbers,  
5 makes anyone think that, well, it is kind of confusing and  
6 what was going on? Like I said, I was there and a lot of  
7 this was really straining me to put it in perspective  
8 because, again, perspective is everything.

9 So, I just think that it is very difficult, and to  
10 make assumptions is very difficult on intent when I was not a  
11 part of discussions or putting things together and it was all  
12 taken from a theory that needed to be implemented.

13 Remember the puzzle analogy, the picture that  
14 needed to be put together. And that picture, even though  
15 there were hundreds and hundreds and thousands of pieces of  
16 evidence after five years, they finally were pounded together  
17 and forged into a picture that the government wanted.

18 I never alleged that I was duped into thinking  
19 things were proper and right in this book. I certainly would  
20 not allege that at all. I pride myself in doing my homework.  
21 I pride myself in feeling comfortable on my own that I am  
22 doing the right thing.

23 I examined the court cases. I examined the law as  
24 I can find it. I am not a lawyer so I can't make decisions  
25 on the law, but I was satisfied when I did this. There is no

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1 way that I felt I was duped.  
2 As a matter fact, as you see when you peruse  
3 through the book, the law is not something that is cast aside  
4 within the book. If a person really wants to research what's  
5 happening and what's being presented, there is a lot of  
6 reference, and the bottom of each page is just packed -- or  
7 many pages are packed with footnotes to allow you to do some  
8 of your own research.

9 So, I make no apologies about that. I certainly  
10 was not duped into anything. And the book is a very large  
11 work with a lot of information in it, but I just think it's  
12 information that is used or can be used by most everyone.

13       Someone desiring a domestic trust for estate  
14   planning, someone desiring a domestic trust as a business  
15   which has great tax advantages, and someone going light years  
16   beyond that and associating and trying to get matched up with  
17   people overseas. So, there is a lot in there.

18       Should I have seen red flags? I maintain, ladies  
19   and gentlemen, I don't see red flags right now unless I spin  
20   everything in the way that the government would have you see  
21   it.

22       That flow chart I gave you today is as legal or  
23   lawful, I will say, as I believe it was in 1991. Now, I have  
24   to say that tax laws, I believe, have changed since 1991 so I  
25   can't really say for sure if everything is the same, but I

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1   can speak now that I am not saying that, gee, I thought it  
2   was because I am here. I don't. No. I still believe in  
3   that program because the program is very simple. The program  
4   is people being met up with companies on a tax haven island,  
5   and that tax haven island, that is a great part of their  
6   economy.

7 And if the laws of that tax haven island are  
8 followed and everybody has economic gain and everybody has  
9 economic benefit in it and there is agreement among parties,  
10 our Constitution says that we certainly do have a right to  
11 make those contracts. And just because the government  
12 alleges certain intent in doing that doesn't make the law any  
13 different. I maintain that's as lawful today as it was back  
14 then. But, I can't say that with the authority I did back  
15 then because I did do the research, and my intent was always  
16 to walk within not only the spirit but the letter of the law.  
17 It's very important.

18 You also have to think about, when we talk about  
19 intent, and even if I did give lip service, at times, secrecy  
20 and privacy, or if I jumped on the telephone and took a note  
21 off of somebody else out of the FAR organization, I mean, I  
22 don't know the context of a lot of these notes, and things  
23 like that.

24 I may have been told things or I may have written  
25 things down that I didn't agree with. You know, when you

1 look at probably eight years or five years of handwritten

2 notes, my golly, there are a lot of them. I can't say that I  
3 knew, and I think it is hard to put intent or structure  
4 really to what they mean without knowing something about  
5 them.

6 But, the thing is, I can't say what those -- what  
7 some of those notes meant that the government has presented  
8 to you, but I did feel that privacy was very important, and I  
9 did feel that I respected the secrecy, the trade secrecy, and  
10 anything else that they said that should have made me think  
11 of red flags.

12 Well, I believe today that our privacy rights are  
13 certainly being usurped and reduced. I believe that we all  
14 need to be thinking about the privacy and secrecy even, and  
15 privacy do not make someone an outlaw. Our founding fathers  
16 believed in privacy, and privacy was a commodity that was  
17 present back then so people didn't have to think about  
18 secrecy.

19 So, that is a very important thing, especially when  
20 our Bill of Rights was first put together.

21 But, did I openly sell the book? I openly talked  
22 about it. Although some of the context of Mr. Rivera and

23 myself, oftentimes I was badgered to a point that it was  
24 difficult to look at what was said. But, the whole thing is,  
25 I think it's important to understand that my open selling of

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1 the book and espousing of the book, in other words, there is  
2 so much in there, it is not that I am saying there is a  
3 paragraph in there, that's not the way it is, and you will  
4 see that when you look at the book. It is not at all as  
5 simple as the government would contend that it is of telling  
6 someone to break the law. That is kind of a given that I am  
7 sure you will see.

8 I would like you to really consider the jury  
9 instructions carefully and look at everything when it comes  
10 to intent and willfulness. I won't say I was duped. I'll  
11 make no excuse like that. I do my due diligence much too  
12 closely to do that.

13 But, I will say that I did my best to follow the  
14 letter and the spirit of the law. That's very important.  
15 Because my actions, regardless of what the government wants  
16 to spin my actions into being, my actions were always aimed  
17 at trying to stay within the letter and the spirit of the

18 law.

19 And I think that it's important when you read the  
20 charges and you look at the information regarding willfulness  
21 and intent and good faith and beliefs, I think that I would  
22 like you to really consider that, remember, especially the  
23 conspiracy charge, the conspiracy charge makes an assumption  
24 or as an element of that crime says that I and those people  
25 that I associated with actually with intent did this to

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1 defraud the government.

2 And I think that when you look at all the facts,  
3 the intent, of course, when I went and spent \$10,000.00 to  
4 have First America Research do finding jobs for me or be a  
5 facilitator offshore, because I certainly couldn't do it,  
6 believe me that intent was that I was doing the right thing  
7 or something that I felt good about.

8 So, please consider that. I think that it's very  
9 important in the overall -- your overall deliberations, and I  
10 urge you to look at intent and willfulness as being key to  
11 this entire -- this entire charge. All three charges, there



12 are components of willfulness and intent. There are other  
13 components within them, but with the conspiracy charge, there  
14 is almost -- there is not much of a threshold because there  
15 were sure the things done that were said, but you have to go  
16 back and make the assumption that the original thesis is  
17 correct, that I did it for bad cause and I did it to defraud  
18 the government. So, that's really important.

19 I urge you to find me not guilty.

20 Thank you very much.

21 THE COURT: Mr. Voracek or Ms. Calvin.

22 MS. CALVIN: May it please the Court, Mr. Leveto,  
23 members of the jury.

24 Abraham Lincoln once asked the question, if you  
25 call a tail a leg, how many legs does a lamb have? The

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1 answer is still four. Because calling a tail a leg doesn't  
2 make it one. He might have been talking about this case.  
3 Calling it a sale doesn't make it one. And did Dr. Leveto  
4 really believe that he was selling his business? Let's look  
5 at what the evidence is.

6 We'll start out with the agreement, the agreement

7 that he says was signed 10, October, of '91. Closing and  
8 effective date. Closing will be held October 10th, 1991, at  
9 the offices of Culbertson, Weis, Schetroma & Schug in  
10 Meadville at eleven o'clock in the morning.

11 One year later, September 21st, 1992, Dr. Leveto is  
12 sent a letter by Russell Schetroma.

13 On a parting note, I must again remind you that our  
14 file concerning your dealings with Denver and Center ends  
15 with the submission of unsigned draft documents for your  
16 attention. We have no evidence of the conclusion of any  
17 relationship between you and Center or of any closing  
18 documentation. You should have your new counsel immediately  
19 review such matters to be certain that he or she is  
20 comfortable with the relationship and documentation and is in  
21 a position to protect your interest as may be necessary.

22 A year later, Mr. Schetroma notes nothing about the  
23 finalization of the sale.

24 What else tells you there was no real sale here?  
25 Mr. Scarpitti spoke about the sale to Center Company. He had

1 been told by the defendant that he sold his business in  
2 late -- 1991. And the question was asked, when you sell your  
3 business, a business is sold, who owns the gross receipts?  
4 And the answer was, the new owner owns the gross receipts.  
5 If he doesn't own the gross receipts, there is no sale.

6 Millie Custard testified. The defendant called her  
7 into the office and told her he sold the business and he told  
8 her it was for tax purposes.

9 And Mrs. Leveto testified that after she and the  
10 defendant divorced and the defendant left his veterinary  
11 practice in a hurry, she never heard from Center Company.  
12 She never sent them anything. They never sent her anything.  
13 Nobody ever called. No one was even looking for a repayment  
14 of the loans; nothing.

15 This proposed sale to Center Company allowed the  
16 defendant to hide the fact that he owned a business that was  
17 generating significant gross receipts.

18 If you look at Exhibit 23, where he applied for an  
19 investment account during the prosecution period, they asked  
20 how much he made annually? He checked the box he made over  
21 \$100,000.00 annually, and it would be the government's  
22 contention, indeed, he did.

23 And if you look at the flow chart, you look at what  
24 happened to the money, who owned those gross receipts? The  
25 defendant owned those gross receipts. He spent them. Every

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1 time there was money going offshore, you see it coming right  
2 back. And where does it go? It goes to an entity controlled  
3 by the defendant.

4 The defendant spoke of loans. There is no evidence  
5 of any loans here, or any loan repayments here. The  
6 defendant said that he was able to take money in the form of  
7 loans because he was working on commodities trading for  
8 Center Company.

9 Well, what do we know about his commodities  
10 trading? I'd ask you to look at Government Exhibit 134.  
11 That is the information which was provided to Mr. Scarpitti  
12 for the preparation of the 1992 personal income tax returns.

13 What does it show? Futures loss for year. He lost  
14 \$4,250.20. In 1992, he is still learning commodities and yet  
15 he would have you believe that Center Company was willing to  
16 lend him hundreds of thousands of dollars for a commodities

17 program.

18 I would ask you to look at the tax returns that  
19 this man filed. The tax returns that Center Company filed.  
20 See if there is some profit being made in the commodities  
21 trading. I would submit to you that this was while the  
22 defendant did trade in commodities and he did enjoy it, that  
23 when he speaks of benefit to himself and benefit to Center  
24 Company, generally when a company is looking for benefit,  
25 they are looking for profit, and he's telling his accountant

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1 I lost money on. I lost money. I'm still learning.

2 The defendant told us, as well, that he was --  
3 could buy and fix up airplanes, assuming that he could do  
4 this for Center Company. The FAA records are in. They came  
5 in without a witness because they were certified documents,  
6 but they are in evidence.

7 The FAA records. What will you see if you look at  
8 them? You will see that the defendant bought and sold  
9 airplanes which were registered to Center Company and  
10 himself.

11 What is our evidence on those airplanes? You heard

12 from several witnesses, including office workers and  
13 Mrs. Leveto that the only person who flew these planes was  
14 Dr. Leveto. There was no veterinary reason for him to be  
15 flying it.

16 Where did he go? He took vacations. He took his  
17 daughter to school. He took friends for flights.  
18 Mrs. Leveto said sometimes they took it and went out to  
19 dinner and then came home. But, there is no evidence that he  
20 was making a profit selling airplanes for Center Company  
21 either. There is no evidence of that.

22 The evidence is to the contrary, that the defendant  
23 was using veterinary receipts to purchase these airplanes for  
24 his own pleasure. You heard a lot about Leonard Adler and  
25 you have seen a stamp. That's Exhibit 229. The letterhead,

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1 Exhibit 251. The note that says I give permission for my --  
2 for Dr. Leveto to get information about this account. That's  
3 Exhibit 241. You see the application for the TSB Bank  
4 account. It's Exhibit 194.

5 Mrs. Leveto looked at that, said it was the

6 defendant's handwriting. I believe he admitted that today.

7 He says that his employer is Dr. Leveto. He has an

8 interesting birthday. Mrs. Leveto testified that's hers.

9 And, again, the address associated with the defendant.

10 And what do we know about Leonard Adler? The

11 defendant claims he is a real person, someone who works for

12 him. No one in that office ever heard from him.

13 And Mrs. Leveto told you that he told her it isn't

14 a real person. That would be the government's contention.

15 Look at 221, a letter of indemnity. Exhibit 222. Exhibit

16 104, handwritten note. He has been associated with me in my

17 practice. Something you would expect someone to be able to

18 remember whether or not they had been associated with someone

19 in their practice.

20 There is not one shred of evidence that Leonard

21 Adler is anyone other than the defendant.

22 There is Wayne Co. Look at 282. Sole purpose to

23 hold a secret Post Office box. 98, AAA for Wayne Co. with a

24 note that Wayne Co. and Leonard Adler can get mail at P.O.

25 Box 54. What do we know about that? That it was opened in

1 the name of Wayne Co. at the direction of the defendant.

2 What about the land transactions? The seller  
3 withheld \$16,000.00 because they thought they were selling to  
4 a foreign corporation. At 341-H, the defendant wrote a note  
5 to Mr. Scarpitti saying Center Company would apply for a  
6 refund.

7 At note 233, the defendant makes a note to ask  
8 about the refund for Center Company. Exhibit 2B, Center  
9 Company applies for a refund, and they receive it. 128, the  
10 letter which we showed you from Paul Harris saying the refund  
11 is here, it is going to be deposited. It goes to a bank  
12 account controlled by the defendant.

13 And what happens? It comes back to the United  
14 States into an account controlled by the defendant. And so  
15 it is with the funds, the limited funds that are going  
16 offshore. They find their way back to this country and they  
17 find their way back to accounts controlled by the defendant.

18 Ladies and gentlemen, the evidence is overwhelming,  
19 there was no sale. And if there was no sale, the defendant,  
20 who continued to operated the company, the veterinary  
21 practice, who continued to get the gross receipts of the



22 veterinary practice, who continued to use the receipts from

23 the veterinary practice, was obligated to put it on his tax

24 return and he was obligated to account for those monies.

25 I think the evidence is overwhelming that the

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1 defendant had no sale of this company. He was obligated to

2 report the business receipts of his practice and he didn't do

3 so, that he had had assistance. There is a lot of evidence

4 here, the letters, the notes back and forth, Paul Harris,

5 Don Turner; others. It will show you that he didn't act

6 alone. These letters and notes, they proceed throughout the

7 period of the conspiracy.

8 The defendant has spoken about the fact that this

9 was very straightforward and it was right out in the open.

10 That, of course, is a jury question whether or not opening

11 bank accounts in nominee names, opening Post Office boxes in

12 other names, having money offshore which you have wired off

13 and bring back, is straightforward and in the open.

14 Here's his version of where a dollar

15 goes.(Indicating.) Straightforward? This is the way the

16 system is supposed to work? It's a jury question.

17 I would submit to you that that is not an  
18 uncomplicated program. In this, he said the money goes  
19 offshore to Center Company, Jack Williams. \$1.00 in  
20 company -- they have a choice here, according to both my  
21 recollection of the testimony and his version -- \$1.00 in  
22 company. They can file a 1040 nonresident return and pay tax  
23 on it or they can have a K-1 distribution. In other words,  
24 they can pay how much tax they would like on it.

25 Well, we know how much tax they would like to pay

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1 because we have got Exhibit 134, Exhibit 134 signed by the  
2 defendant. This is his tax organizer for 1993. This says  
3 you have a number of loans you can put here on income and  
4 expenses in an unincorporated business organization. Income  
5 and expenses from rental real estate, interest in  
6 partnership, interest in dividend income, any gains and  
7 losses, you have net at this, at this, at this, there being  
8 no figures on there, but we do know what the bottom line is  
9 going to be because it's pre-printed. Your bottom line after  
10 net income from all sources, whatever it is, less

11 distribution, whatever it is, is going to be zero. That is

12 the choice that Center Company has.

13 Dr. Leveto would have you believe that he relied on

14 advice and his own reading to come to the conclusion that he

15 has, but he had the opportunity to consult with any attorney

16 or his CPA here. He had an opportunity to see Mr. Scarpitti

17 who prepared the tax returns. He didn't know all of the

18 things that the defendant was involved in.

19 But, you did see about the land transaction which

20 we discussed earlier. He could have gone to Cohen & Grigsby.

21 Did he ask for advice there?

22 While our firms have been -- and this is cc'd to

23 Russell Schetroma.

24 While our firms have been requested to handle the

25 documentation of the transfer, you have specifically

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1 instructed both of us not to render any advice on the tax

2 implications of the transaction.

3 Two law firms at his disposal and he wasn't asked

4 for -- well, a CPA and a law firm and another law firm, and

5 he still didn't ask for any tax advice.

6 I would ask you to look through the records at all  
7 of the secrecy, the number of times that the defendant is  
8 cautioned, at all times keep no more than three month's worth  
9 of records. This is totally secret. This bank account,  
10 Leonard Adler, I would like to look at Exhibit 111.

11 If I may have just one moment to pull 111. This is  
12 a letter from one of the co-conspirators talking about bank  
13 accounts. He is talking about during the past six months --  
14 this is in November of 1992 -- the rules have tightened even  
15 more now. Each signatory must now provide two bank  
16 references from accounts that have been seasoned at least two  
17 years and they must be original letters addressed  
18 specifically to that specific bank. No more copies. We  
19 would be short-sighted if we reject the real possibility that  
20 the investor shall soon have to provide photo I.D. Afterall,  
21 that is the minimum requirement for every new bank customer  
22 in virtually all other jurisdictions. Think for a minute of  
23 all the reasons why we will not, cannot provide such items to  
24 a bank and you will appreciate why we accepted the challenge  
25 of developing new technology.

1       There is a reason for this secrecy, ladies and  
2 gentlemen, and the secrecy for all of this is to create a  
3 confusing trail that the defendant and his co-conspirators  
4 thought the government would never be able to follow.

5       We submit that all of these actions -- and many of  
6 them are alleged in the testimony, were done for the specific  
7 reason to defraud the United States.

8       The evidence is also fairly clear that the  
9 defendant did have control over these bank accounts in the  
10 foreign countries and, as such, on his 1994 and 1995 tax  
11 returns, he was obligated to tell the government, yes, I do.

12       You have heard the defendant tell you that he had  
13 some other kind of authority, but the documentation is very  
14 clear, he sends a fax asking for the money and the money  
15 comes and it's deposited into an account which is controlled  
16 by the defendant.

17       Let's look at why we know the defendant knew what  
18 he was doing was wrong. I think the intelligence of this  
19 defendant is beyond question. His experiences similarly is  
20 beyond the norm. His accountant said that the defendant is  
21 much more sophisticated than the average professional. We

22 know how high he graduated, third in his college class, a  
23 degree in biology, second in his class, graduating in two and  
24 a half years.

25 If you look at the change to Exhibit 122, which is

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1 a copy of the organizer which was seized at the defendant's  
2 office, versus the tax organizer that was submitted to  
3 Mr. Scarpitti for 1992, you will see that even after  
4 Mr. Scarpitti worked on it, it was tinkered with a little bit  
5 more. By whom? Someone who looked over the figures and knew  
6 what he was looking for. Another thing that you heard from  
7 Mr. Scarpitti, which tells you two things. One is that the  
8 defendant knew what he was doing and also that there probably  
9 wasn't a sale, is that all the personal expenses paid out of  
10 the business.

11 Mr. Scarpitti testified that he saw that, when he  
12 was helping the defendant fill out the 1992 organizer for  
13 Center Company, that they had paid some of his personal  
14 expenses to the tune of about \$12,000.00, and he picked it up  
15 as other income and that the defendant knew that if your

16 expenses were being paid by the company, it was income to

17 you.

18 The question was asked, well, you really don't have  
19 to account for that until the end of the year? No. Maybe  
20 not, but they didn't. Nor the following years, there are no  
21 personal expenses accounted for. And why not? Because it  
22 was his company and you saw that he was booking them as  
23 miscellaneous or other expenses, that he was running his own  
24 personal expenses and they were substantially through the  
25 company.

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1 This defendant knew exactly what he was doing. He  
2 had the intent to disobey the law. He conspired with others  
3 to defraud the United States and he filed income tax returns  
4 for 1994 and 1995 that did not account for the business  
5 activity.

6 And you can think about the defendant's attitude  
7 toward taxes. Exhibit 71. I certify that I am not a direct  
8 nor indirect member of the IRS. It's there for you to see.  
9 Exhibit 73. You are reminded not to keep more than three  
10 months of records. 74. There is protection against the

11 nose government. And it again reminds him not to keep  
12 reports. 134. The organizer with the pre-printed zero. The  
13 statement that he told Millie Custard that he sold the  
14 business.

15 One other thing that we haven't really addressed  
16 very much, but it is something to consider as well. One of  
17 the items that's alleged as an overt act is the transfer of  
18 the house out of his own name into the name of his parents.  
19 And Mrs. Leveto testified that this happened and he told her  
20 they were going to do it for tax purposes, that he was afraid  
21 that at this time, after the search warrant had occurred,  
22 that the IRS might try to take the house, and he was  
23 concerned.

24 He also admitted here today that he has followed  
25 the advice of people who committed tax crimes. These are not

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1 the actions or thoughts of a person who honestly tried to  
2 stay within the letter of the law.

3 And I would like to ask you to remember one thing  
4 as you think about some of the information you have heard.



5       There are some things you heard from one source,  
6 and one source only. Many of these documents you have heard  
7 the accountants speak about, you have seen the documents, you  
8 have heard a number of witnesses, you have heard from the  
9 bank custodian, and so on.

10       You have heard that Leonard Adler is a live person  
11 somewhere -- offshore somewhere who got involved in  
12 commodities trading with the defendant, and you have heard  
13 that from one source, and that's the defendant, but there is  
14 no evidence this is a real person.

15       You have heard from the defendant that he had  
16 really no control over -- no actual control over Box Elder,  
17 but that's really only from the defendant. Your documents  
18 will tell you differently.

19       The only person who is talking about knowing about  
20 the consummation of the sale of the business is the  
21 defendant. His attorney doesn't know about it, as you can  
22 see from the documentation. He was taking loans because he  
23 was going to do commodities trading, and you heard that only  
24 from the defendant.

25       And you can see the documents that show there was

1 not a lot of money being made on these commodity trades. You  
2 heard that he fixed up airplanes and you heard that from the  
3 same source. You heard he left this area because he owed  
4 people a lot of money and he was concerned for his safety,  
5 and you heard that from only one source.

6 Ladies and gentlemen, we submit to you that the  
7 evidence is not only beyond a reasonable doubt, it's  
8 overwhelming that the defendant entered into a conspiracy, he  
9 entered into an agreement with one or more other people to  
10 defraud the United States, and that at least one of those  
11 conspirators committed at least one of the overt acts in the  
12 indictment, and he is guilty of conspiracy.

13 The evidence is also beyond a reasonable doubt that  
14 the defendant owned that company, the practice. He was  
15 obligated to declare on his tax returns for 1994 and 1995  
16 that Schedule C business and its receipts. He did not do so  
17 and it was a materially false tax return.

18 In the alternative, it was also materially false  
19 because he was obligated, if he had signature authority over  
20 a foreign bank account or other authority over a bank

21 account, to report it to the government on his tax return.

22 And in 1994 and in 1995, the defendant checked the box no.

23 Ladies and gentlemen, we are going to ask you at

24 this time to return a verdict of guilty on Counts 1, 2 and 3

25 of this indictment.

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1 THE COURT: It is about four-thirty now, folks. My  
2 charge takes about forty-five minutes and we have had a long  
3 day. I think we ought to wait until morning before we do the  
4 charge.

5 Could everybody get here by eight-thirty? I don't  
6 want to inconvenience anybody, but if you could, we could  
7 start then. Don't be afraid to put up your hand if that is  
8 terribly inconvenient.

9 Well, let's shoot for eight-thirty. I will not  
10 hold you in contempt if you are here at eight thirty-five.  
11 So, let's try to start at eight-thirty tomorrow and then the  
12 case will be in your hands.  
13 (The jury left the courtroom.)  
14 (Court recessed on Wednesday, June 1st, 2005, at 4:30 p.m.)  
15

16

\* \* \* \* \*

17

I certify that the forgoing is a correct transcript

18

from the record of proceedings in the above-entitled matter.

19

20

S/Michael D. Powers

21

Michael D. Powers

Official Reporter

22

\*\*\*\*\*NOT CERTIFIED WITHOUT ORIGINAL SIGNATURE\*\*\*\*\*

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